

Chowan County, North Carolina
Audited Financial Statements
June 30, 2004

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June 30, 2004

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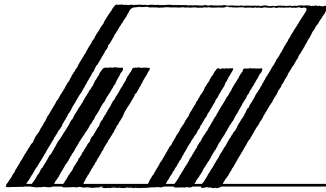
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J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

Independent Auditor's Report

To the Board of County Commissioners
Chowan County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chowan County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Chowan County ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina as of June 30, 2004, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Isabel Recovery Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005 on our consideration of Chowan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Chowan County, North Carolina. The combining and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "J. R. Bullock III CPA". The signature is written in a cursive, flowing style.

Certified Public Accountant

November 30, 2004

Management's Discussion and Analysis

As management of Chowan County, we offer readers of Chowan County's financial statements this narrative overview and analysis of the financial activities of Chowan County for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

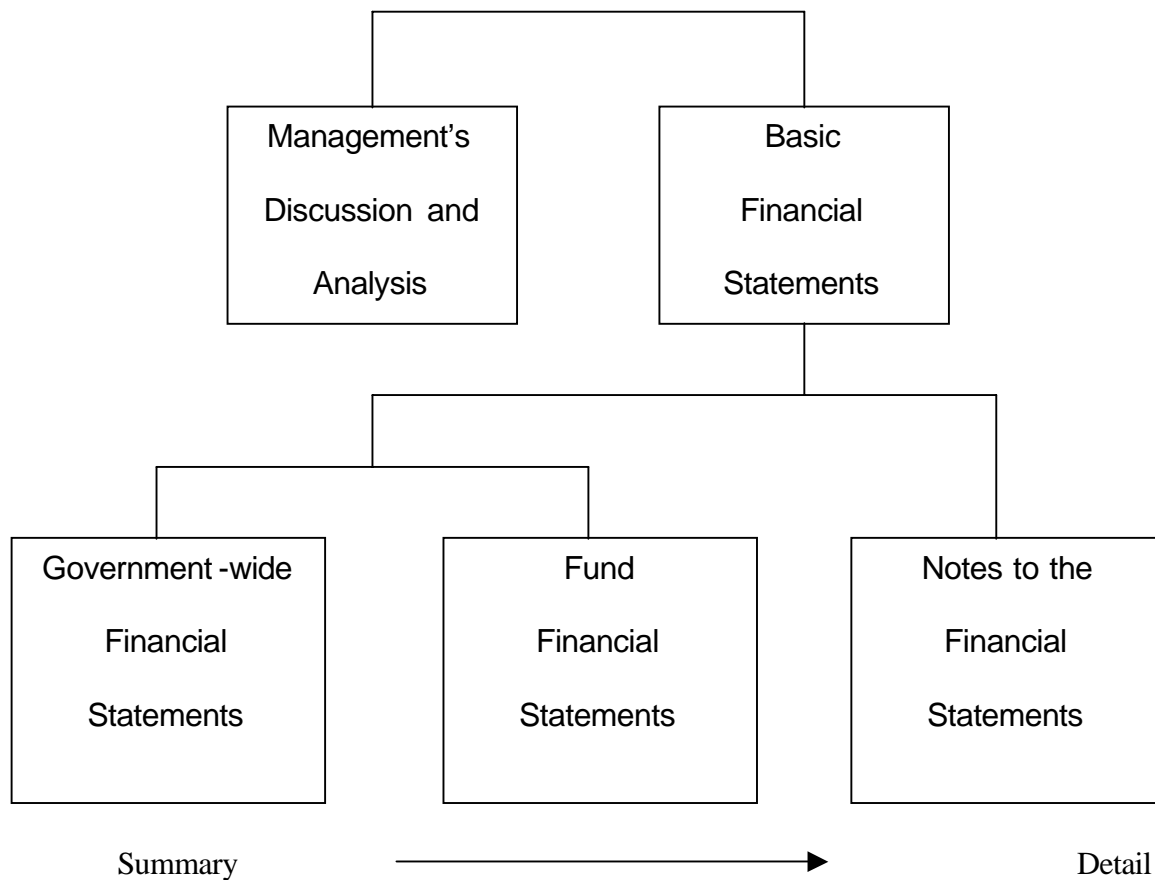
- The assets of Chowan County exceeded its liabilities at the close of the fiscal year by \$30,005,588 (*net assets*).
- The government's total net assets decreased by \$3,821,682, primarily due to decreased net assets in the General Fund. This compares to a decrease of \$2,304,383 in 2003.
- As of the close of the current fiscal year, Chowan County's governmental funds reported combined ending fund balances of \$ 17,709,545, a decrease of \$3,672,019 in comparison with the prior year. Approximately 69 percent of this total amount, or \$11,372,853, is available for spending at the government's discretion (*unreserved fund balance*). In 2003, the unreserved fund balance was \$16,015,191.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$14,830,355. In 2003, the unreserved fund balance for the General Fund was \$18,949,683.
- Chowan County's total debt decreased by \$1,906,033 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Chowan County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Chowan County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial

statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government -wide Financial Statements

The government -wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government -wide statements provide short and long-term information about the County's financial status as a whole.

The two government -wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government -wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and emergency management services offered by Chowan County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. Chowan County Medical Development Authority is a non-profit corporation organized for the purpose of promoting the health care of Chowan County by assisting and providing equipment, facilities, and personnel. The County appoints the board of directors.

The government -wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chowan County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Chowan County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government -wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the

Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Chowan County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Chowan County has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Chowan County uses enterprise funds to account for its water operations and for its emergency management services. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Chowan County has four fiduciary funds, all of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Chowan County exceeded liabilities by \$30,005,588 as of June 30, 2004. As of June 30, 2003, the net assets of Chowan County stood at \$33,827,287. The County's net assets decreased by \$3,821,682 for the fiscal year ended June 30, 2004, compared to a decrease of \$2,304,383 in 2003.

The largest portion (71.99%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Chowan County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chowan County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The remaining balance of \$8,403,477 is unrestricted. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In 2003, the amount of net assets invested in capital assets net of related debt was \$21,552,459. The remaining \$12,274,828 was unrestricted net assets for that year.

Chowan County's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 22,666,951	\$ 26,836,837	\$ 426,455	\$ 385,762	\$ 23,093,406	\$ 27,222,599
Capital assets	21,870,757	22,552,266	6,393,446	6,699,642	28,264,203	29,251,908
Total assets	<u>\$ 44,537,708</u>	<u>\$ 49,389,103</u>	<u>\$ 6,819,901</u>	<u>\$ 7,085,404</u>	<u>\$ 51,357,609</u>	<u>\$ 56,474,507</u>
Long-term liabilities outstanding	\$ 17,820,094	\$ 19,360,632	\$ 1,325,339	\$ 1,631,383	\$ 19,145,433	\$ 20,992,015
Other liabilities	728,105	662,728	1,478,483	992,477	2,206,588	1,655,205
Total liabilities	<u>18,548,199</u>	<u>20,023,360</u>	<u>2,803,822</u>	<u>2,623,860</u>	<u>21,352,021</u>	<u>22,647,220</u>
Net assets:						
Invested in capital assets, net of related debt	16,497,052	16,455,994	5,105,059	5,096,465	21,602,111	21,552,459
Unrestricted	9,492,457	12,909,749	(1,088,980)	(634,921)	8,403,477	12,274,828
Total net assets	<u>\$ 25,989,509</u>	<u>\$ 29,365,743</u>	<u>\$ 4,016,079</u>	<u>\$ 4,461,544</u>	<u>\$ 30,005,588</u>	<u>\$ 33,827,287</u>

Several particular aspects of the County's financial operations positively influenced the total unrestricted net assets:

- Chowan County continued to enjoy growth in its tax base despite a one time loss in tax base of approximately \$20 million due to Hurricane Isabel. This loss in tax base was offset by continued growth in the County's residential and commercial tax base. The County anticipates that 95% of all repairs to buildings damaged by Hurricane Isabel will be complete by January 1, 2005 and will be reflected in the County's budgeted tax base for fiscal year 2006.
- The tax collection rate remained above average for a county of its population size at 95.279%.
- The County also realized a net reduction in debt of \$1,906,033.
- The County continued to strengthen operating incomes for the Water, Solid Waste, and EMS Funds. Water rates were increased by 15% effective July 1, 2004. Revenue is projected to exceed expenses by \$150,000 this fiscal year. The County privatized the collection of its commercial solid waste fees effective November 1, 2004. At this point, the County anticipates that the collection of commercial fees will increase by approximately \$250,000 for fiscal year 2005. Effective July 1, 2004, the County contracted with a private vendor to bill and collect EMS fees. This will result in a 50% increase in collections.
- The County increased its ad valorem tax rate for fiscal year 2005 from .69 to .74 for every \$100 valuation. This will increase revenue by approximately \$500,000. As a result

of the tax increase, the County decreased the amount budgeted for delinquent taxes, sales taxes, interest income and other miscellaneous revenue items.

- The major negative factor was the cash flow requirement necessitated by Hurricane Isabel. While the County has received 95% reimbursement for the expenses incurred by Hurricane Isabel, the County suffered a significant reduction in interest income due to the significant cash draw down totaling approximately \$4.5 million. Sales tax collections were also negatively impacted by Hurricane Isabel.

Chowan County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,295,056	\$ 1,320,629	\$ 1,407,829	\$ 1,416,456	\$ 2,702,885	\$ 2,737,085
Operating grants and contributions	6,211,279	3,099,587	-	-	6,211,279	3,099,587
Capital grants and contributions	34,228	30,000	-	-	34,228	30,000
General revenues:						
Property taxes	5,780,448	5,600,308	-	-	5,780,448	5,600,308
Other taxes	3,274,654	2,724,341	-	-	3,274,654	2,724,341
Grants and contributions not restricted to specific programs	183,569	241,389	-	-	183,569	241,389
Other	1,105,703	2,229,782	(57)	-	1,105,646	2,229,782
Total revenues	17,884,937	15,246,036	1,407,772	1,416,456	19,292,709	16,662,492
Expenses:						
General government	3,353,286	2,980,702	-	-	3,353,286	2,980,702
Public safety	6,681,869	2,971,614	-	-	6,681,869	2,971,614
Transportation	25,092	33,470	-	-	25,092	33,470
Economic and physical development	511,288	813,214	-	-	511,288	813,214
Environmental protection	1,283,637	957,163	-	-	1,283,637	957,163
Human services	3,866,217	3,920,207	-	-	3,866,217	3,920,207
Cultural and recreation	944,429	984,634	-	-	944,429	984,634
Education	3,733,982	3,728,943	-	-	3,733,982	3,728,943
Interest on long-term debt	936,356	1,010,038	-	-	936,356	1,010,038
Water fund	-	-	947,481	936,651	947,481	936,651
Emergency management	-	-	830,754	630,239	830,754	630,239
Total expenses	21,336,156	17,399,985	1,778,235	1,566,890	23,114,391	18,966,875
Increase (decrease) in net assets before transfers	(3,451,219)	(2,153,949)	(370,463)	(150,434)	(3,821,682)	(2,304,383)
Transfers	75,000	101,000	(75,000)	(101,000)	-	-
Increase in net assets	(3,376,219)	(2,052,949)	(445,463)	(251,434)	(3,821,682)	(2,304,383)
Net assets, July 1	29,365,728	31,418,677	4,461,542	4,712,976	33,827,270	36,131,653
Net assets, June 30	\$ 25,989,509	\$ 29,365,728	\$ 4,016,079	\$ 4,461,542	\$ 30,005,588	\$ 33,827,270

Changes in Chowan County's Net Assets

Governmental activities. Governmental activities decreased the County's net assets by \$3,376,219. Key elements of this decrease are as follows:

- This decrease was a direct result of loss of interest income due to Hurricane Isabel. Significant cash draw downs resulted in a loss of \$2 million. Other decreases were reflective in decreases in State reimbursements and a \$500,000 upgrade of GIS systems.

Business-type activities: Business-type activities decreased Chowan County's net assets by \$445,463. Key elements of this decrease are as follows:

- This decrease was reflective of the hiring of additional personnel for EMS and unbudgeted growth in solid waste disposal fees. The Water Fund realized an increase in income for fiscal year 2004. The privatization of EMS billing/collections will result in a 50% increase in EMS collections for fiscal year 2005.

Financial Analysis of the County's Funds

As noted earlier, Chowan County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Chowan County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Chowan County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Chowan County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14,830,355, while total fund balance reached \$20,899,413. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 98.84 percent of total General Fund expenditures, while total fund balance represents 139.29 percent of that same amount.

At June 30, 2004, the governmental funds of Chowan County reported a combined fund balance of \$17,709,545, a 17.17 percent decrease over last year. The primary reason for this decrease is the decrease in fund balance in the General Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Chowan County maintains budgeting compliance at a line item basis on a monthly basis. The major shortfalls occurred in investment earnings and delinquent tax collections. The investment

earnings budget included contribution to reserves and not actual expenditures. The shortfall in delinquent tax collections reflected the bankruptcy of a major industry. The County implemented a .05 increase in its ad valorem tax rate to offset reduced investment earnings and delinquent tax collections.

Proprietary Funds. Chowan County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$(444,859), and those for the Emergency Management Fund equaled \$(644,121). The total change in net assets for both funds was an increase of \$28,877 and a decrease of \$474,340 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of Chowan County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Chowan County's capital assets for its governmental and business – type activities as of June 30, 2004, totals \$28,264,203 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and water system.

Major capital asset transactions during the year include:

- Purchased new vehicles for the Inspections, Civil Preparedness, Animal Control, and Water Departments
- Purchased new vehicles and equipment for the Sheriff's Department
- Purchased new computers for the Data Processing and Social Services Departments

Chowan County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
Land	\$ 3,206,481	\$ 3,166,209	\$ 98,347	\$ 98,347	\$ 3,304,828	\$ 3,264,556
Buildings and improvements	17,400,168	18,036,198	-	-	17,400,168	18,036,198
Machinery and equipment	1,264,108	1,349,859	201,684	261,087	1,465,792	1,610,946
Water system	-	-	6,093,415	6,340,208	6,093,415	6,340,208
Total	<u>\$ 21,870,757</u>	<u>\$ 22,552,266</u>	<u>\$ 6,393,446</u>	<u>\$ 6,699,642</u>	<u>\$ 28,264,203</u>	<u>\$ 29,251,908</u>

Additional information on the County's capital assets can be found in note III. 5. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2004, Chowan County had total debt outstanding of \$18,757,461, of which \$1,495,000 is debt backed by the full faith and credit of the County.

**Chowan County's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 1,336,603	\$ 1,774,687	\$ 158,396	\$ 210,313	\$ 1,494,999	\$ 1,985,000
Hospital revenue bonds and note	3,503,376	3,923,916	-	-	3,503,376	3,923,916
Installment purchases	12,637,101	13,371,586	50,983	74,672	12,688,084	13,446,258
Water system expansion note	-	-	1,071,002	1,285,288	1,071,002	1,285,288
Obligations under capital leases	-	-	-	23,032	-	23,032
	<u>\$ 17,477,080</u>	<u>\$ 19,070,189</u>	<u>\$ 1,280,381</u>	<u>\$ 1,593,305</u>	<u>\$ 18,757,461</u>	<u>\$ 20,663,494</u>

Chowan County's total debt decreased by \$1,906,033 (9.22 percent) during the past fiscal year. The decrease is due to regularly scheduled principal payments, which were slightly offset by the issuance of additional installment purchases of \$159,370.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chowan County is \$49,557,931. The County has no bonds authorized but un-issued at June 30, 2004.

Additional information regarding Chowan County's long-term debt can be found in note III.B.7. beginning on page 45 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The unemployment rate for fiscal year 2004 averaged 3.9% as compared with a statewide average of 4.9%. For fiscal year 2003, this rate averaged 4.6%.
- Albemarle Boats, Carolina Classic Boats and Regulator Marine (boat manufacturers) continue to increase payrolls. Team Calyber announced plans to open another boat manufacturing facility in Chowan County. Other industries including peanut processing exhibited moderate growth. Medical services lead by Chowan Hospital (owned by University Health Systems) continued to expand services and increase employment levels. For the month of November 2004, the workforce was placed at 6691 with only 246 residents on unemployment rolls.
- Tourism continues to be a viable component of the economy. According to the Travel Industry Association, the economic impact of tourism in Chowan County reached \$14.04 million in 2003.
- Total retail sales totaled \$116,853,633 for fiscal year 2004 compared to \$116,085,632 for fiscal year 2003. Again, retail sales were impacted by Hurricane Isabel. Several

expansions in the retail sector have taken place so the County anticipates a significant increase in sales tax collections for fiscal year 2005.

- Residential growth remains strong with 363 building permits issued this calendar year. Also, two major residential communities are now being planned and permitted by the State and County. The County anticipates that these residential communities will double the County's existing tax base in four years.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: The Fiscal Year 2005 budget reflects a decrease of \$195,428 or 1%. This is due to limited expansion of general fund services.

The major increases in the 2005 budget are a 2% cost of living increase, a 5% increase in medical insurance, and an additional subsidy from the General Fund to the EMS Fund of \$150,000.

The fund deficits stated in note II. A. are reflected as receivables against County reserves. Due to Hurricane Isabel, these paybacks were suspended for fiscal year 2004 budget, but re-budgeted in fiscal year 2005, reducing receivables by approximately \$300,000.

Business – type Activities: Water rates will increase by an average of 15% July 1, 2004. Privatization of the collection of solid waste fees is projected to substantially increase income from commercial fess by approximately \$250,000. The status of all business-type activity funds will be reviewed in the fiscal year 2006 budget. It is the policy of the County that all business-type activity funds be self-sustaining and that reserves of 20% of expenditures will be established and maintained.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Chowan County, PO Box 1030, Edenton, NC 27932.

Chowan County, North Carolina
Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Chowan County ABC Board
ASSETS				
Cash and cash equivalents	\$ 15,542,795	\$ 20,849	\$ 15,563,644	\$ 110,784
Receivables (net)	5,574,907	391,097	5,966,004	-
Due from fiduciary funds	141,435	2,500	143,935	-
Internal balances	1,407,814	(1,407,814)	-	-
Inventories	-	12,009	12,009	115,617
Prepaid items	-	-	-	3,582
Capital assets:				
Land	3,206,481	98,347	3,304,828	26,135
Other capital assets, net of depreciation	18,664,276	6,295,099	24,959,375	146,281
Total capital assets	21,870,757	6,393,446	28,264,203	172,416
Total assets	44,537,708	5,412,087	49,949,795	402,399
LIABILITIES				
Accounts payable and accrued expenses	306,800	-	306,800	70,385
Accrued interest payable	421,305	16,474	437,779	-
Customer deposits	-	54,195	54,195	-
Long-term liabilities:				
Due within one year	1,769,613	303,970	2,073,583	-
Due in more than one year	16,050,481	1,021,369	17,071,850	-
Total liabilities	18,548,199	1,396,008	19,944,207	70,385
NET ASSETS				
Invested in capital assets, net of related debt	16,497,052	5,105,059	21,602,111	172,416
Restricted for:				
Other purposes	-	-	-	26,367
Unrestricted (deficit)	9,492,457	(1,088,980)	8,403,477	133,231
Total net assets	\$ 25,989,509	\$ 4,016,079	\$ 30,005,588	\$ 332,014

The notes to the financial statements are an integral part of this statement.

**Chowan County, North Carolina
Statement of Activities
For the Year Ended June 30, 2004**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 3,353,286	\$ 215,108	\$ 25,413	\$ -
Public safety	6,681,869	336,626	3,303,416	34,228
Transportation	25,092	-	67,396	-
Economic and physical development	511,288	-	176,677	-
Environmental Protection	1,283,637	649,888	355,286	-
Human services	3,866,217	-	2,032,763	-
Cultural and recreation	944,429	93,434	20,371	-
Education	3,733,982	-	229,957	-
Interest on long-term debt	936,356	-	-	-
Total governmental activities	21,336,156	1,295,056	6,211,279	34,228
Business-type activities:				
Water Fund	947,481	1,026,415	-	-
Emergency Management	830,754	381,414	-	-
Total business-type activities	1,778,235	1,407,829	-	-
	<u>\$ 23,114,391</u>	<u>\$ 2,702,885</u>	<u>\$ 6,211,279</u>	<u>\$ 34,228</u>
Component units:				
Medical Development Authority	\$ 211	\$ -	\$ -	\$ -
ABC Board	686,129	691,325	-	-
Total component units	<u>\$ 686,340</u>	<u>\$ 691,325</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Grants and contributions not restricted to specific programs				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets-beginning				
Net assets-ending				

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Chowan County Medical Development Authority	Chowan County ABC Board	
(3,112,765)	\$ -	\$ (3,112,765)			
(3,007,599)	-	(3,007,599)			
42,304	-	42,304			
(334,611)	-	(334,611)			
(278,463)	-	(278,463)			
(1,833,454)	-	(1,833,454)			
(830,624)	-	(830,624)			
(3,504,025)	-	(3,504,025)			
(936,356)	-	(936,356)			
(13,795,593)	-	(13,795,593)			
-	78,934	78,934			
-	(449,340)	(449,340)			
-	(370,406)	(370,406)			
(13,795,593)	(370,406)	(14,165,999)			
			\$ (211)	\$ -	
			-	5,196	
			(211)	5,196	
5,780,448	-	5,780,448	-	-	
2,732,720	-	2,732,720	-	-	
541,934	-	541,934	-	-	
183,569	-	183,569	-	-	
82,454	(57)	82,397	-	728	
1,023,249	-	1,023,249	-	-	
75,000	(75,000)	-	-	-	
10,419,374	(75,057)	10,344,317	-	728	
(3,376,219)	(445,463)	(3,821,682)	(211)	5,924	
29,365,728	4,461,542	33,827,270	211	326,090	
\$ 25,989,509	\$ 4,016,079	\$ 30,005,588	\$ -	\$ 332,014	

Chowan County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2004

	General	Isabel Recovery Fund	School Roof Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,264,859	\$ 138,628	\$ -	\$ 139,308	\$ 15,542,795
Receivables, net	5,292,649	6,435	-	275,823	5,574,907
Due from other funds	5,244,028	-	-	-	5,244,028
Total assets	<u>\$ 25,801,536</u>	<u>\$ 145,063</u>	<u>\$ -</u>	<u>\$ 415,131</u>	<u>\$ 26,361,730</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities

Due to other funds

Deferred revenue

Total liabilities

\$ 270,843	\$ 36,520	\$ -	\$ (563)	\$ 306,800
-	-	1,000,000	2,694,779	3,694,779
4,631,280	-	-	19,326	4,650,606
<u>4,902,123</u>	<u>36,520</u>	<u>1,000,000</u>	<u>2,713,542</u>	<u>8,652,185</u>

Fund balances:

Reserved for:

State statute

Unreserved:

Designated for health care

Unreserved, reported in nonmajor:

Special revenue funds

Capital projects funds

Total fund balances

Total liabilities and fund balances

6,069,058	6,435	-	261,199	6,336,692
14,830,355	-	-	-	14,830,355
-	102,108	-	(1,084,468)	(982,360)
-	-	(1,000,000)	(1,475,142)	(2,475,142)
<u>20,899,413</u>	<u>108,543</u>	<u>(1,000,000)</u>	<u>(2,298,411)</u>	<u>17,709,545</u>
<u>\$ 25,801,536</u>	<u>\$ 145,063</u>	<u>\$ -</u>	<u>\$ 415,131</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

21,870,757

Liabilities for earned but deferred revenues in fund statements.

4,650,606

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(18,241,399)

Net assets of governmental activities

\$ 25,989,509

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Isabel Recovery Fund	School Roof Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 5,499,360	\$ -	\$ -	\$ 254,970	\$ 5,754,330
Local option sales taxes	2,025,239	-	-	707,481	2,732,720
Other taxes and licenses	490,905	6,435	-	63,492	560,832
Unrestricted intergovernmental	111,821	-	-	-	111,821
Restricted intergovernmental	2,700,194	3,045,605	-	720,370	6,466,169
Permits and fees	222,498	-	-	-	222,498
Sales and services	375,890	-	-	721,636	1,097,526
Investment earnings	85,708	-	-	(3,254)	82,454
Miscellaneous	511,457	504,300	-	4,000	1,019,757
Total revenues	12,023,072	3,556,340	-	2,468,695	18,048,107
EXPENDITURES					
Current:					
General government	2,617,862	-	-	22,680	2,640,542
Public safety	2,769,176	3,447,797	-	485,627	6,702,600
Transportation	20,000	-	-	-	20,000
Environmental protection	24,603	-	-	1,241,505	1,266,108
Economic and physical development	413,032	-	-	144,358	557,390
Human services	3,890,366	-	-	-	3,890,366
Cultural and recreational	837,264	-	-	-	837,264
Intergovernmental:					
Education	3,283,352	-	-	450,000	3,733,352
Capital outlay	-	-	-	12,946	12,946
Debt service:					
Principal	761,201	-	-	974,667	1,735,868
Interest	387,233	-	-	579,643	966,876
Total expenditures	15,004,089	3,447,797	-	3,911,426	22,363,312
Revenues over (under) expenditures	(2,981,017)	108,543	-	(1,442,731)	(4,315,205)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	105,000	-	-	2,059,127	2,164,127
Transfers to other funds	(874,120)	-	-	(1,215,007)	(2,089,127)
Installment purchases issued	142,760	-	-	-	142,760
Sale of fixed assets	4,826	-	-	-	4,826
Lease payments	420,540	-	-	-	420,540
Total other financing sources and uses	(200,994)	-	-	844,120	643,126
Net change in fund balance	(3,182,011)	108,543	-	(598,611)	(3,672,079)
Fund balances-beginning	24,081,424	-	(1,000,000)	(1,699,800)	21,381,624
Fund balances-ending	\$ 20,899,413	\$ 108,543	\$ (1,000,000)	\$ (2,298,411)	\$ 17,709,545

The notes to the financial statements are an integral part of this statement.

Exhibit 4

Chowan County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (3,672,079)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(637,613)
Loss on disposal of capital assets, not recognized on modified accrual basis	(43,895)
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities	(593,628)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,593,108
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(22,112)</u>
Total changes in net assets of governmental activities	<u><u>\$ (3,376,219)</u></u>

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 5,882,852	\$ 5,882,851	\$ 5,499,360	\$ (383,491)
Local option sales tax	2,337,790	2,337,790	2,025,239	(312,551)
Other taxes and licenses	20,000	458,791	490,905	32,114
Unrestricted intergovernmental	150,000	146,000	111,821	(34,179)
Restricted intergovernmental	2,793,524	2,975,952	2,700,194	(275,758)
Permits and fees	664,736	273,211	222,498	(50,713)
Sales and services	308,205	542,719	375,890	(166,829)
Investment earnings	2,129,466	2,393,533	85,708	(2,307,825)
Miscellaneous	396,670	776,290	511,457	(264,833)
Total revenues	14,683,243	15,787,137	12,023,072	(3,764,065)
Expenditures				
Current:				
General government	2,846,292	2,760,281	2,617,862	142,419
Public safety	2,656,200	2,859,393	2,769,176	90,217
Transportation	23,100	23,100	20,000	3,100
Environmental protection	28,720	28,720	24,603	4,117
Economic and physical development	340,519	473,645	413,032	60,613
Human services	4,224,741	4,119,692	3,890,366	229,326
Cultural and recreational	1,136,791	886,866	837,264	49,602
Intergovernmental:				
Education	3,103,846	3,284,727	3,283,352	1,375
Debt service:				
Principal retirement	-	763,266	761,201	2,065
Interest and other charges	-	384,778	387,233	(2,455)
Total expenditures	14,360,209	15,584,468	15,004,089	580,379
Revenues over (under) expenditures	323,034	202,669	(2,981,017)	(3,183,686)
Other financing sources (uses):				
Transfers to other funds	(323,034)	(832,609)	(769,120)	63,489
Proceeds from installment purchases	-	159,400	142,760	(16,640)
Lease payments	-	420,540	420,540	-
Sale of fixed assets	-	50,000	4,826	(45,174)
Total other financing sources (uses)	(323,034)	(202,669)	(200,994)	1,675
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(3,182,011)	<u>\$(3,182,011)</u>
Fund balances:				
Beginning of year, July 1			24,081,424	
End of year, June 30			<u>\$ 20,899,413</u>	

The notes to the financial statements are an integral part of this statement.

Exhibit 5

Isabel Recovery Fund				
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	6,435	6,435
-	-	-	-	-
-	3,032,455	3,045,605	-	13,150
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	414,723	504,300	-	89,577
-	3,447,178	3,556,340	-	109,162
-	-	-	-	-
-	3,447,178	3,447,797	-	(619)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,447,178	3,447,797	-	(619)
-	-	108,543	-	108,543
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	108,543	\$ -	108,543
		-		
		\$ 108,543		

Chowan County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Enterprise Funds		
	Emergency Management		
	Water Fund	Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,849	\$ -	\$ 20,849
Receivables, net	278,292	112,805	391,097
Due from other funds	2,500	-	2,500
Inventories	12,009	-	12,009
Total current assets	313,650	112,805	426,455
Noncurrent assets:			
Capital assets:			
Land	98,347	-	98,347
Debt acquisition costs - unamortized	8,007	-	8,007
Other capital assets, net of depreciation	6,181,477	105,615	6,287,092
Total noncurrent assets	6,287,831	105,615	6,393,446
Total assets	6,601,481	218,420	6,819,901
LIABILITIES			
Current liabilities:			
Accrued expenses	16,474	-	16,474
Customer deposits	54,195	-	54,195
Due to other funds	672,465	735,349	1,407,814
Current portion of long-term debt	270,352	33,618	303,970
Total current liabilities	1,013,486	768,967	1,782,453
Noncurrent liabilities:			
Accrued vacation pay	23,382	21,576	44,958
Noncurrent portion of long-term debt	973,947	2,464	976,411
Total noncurrent liabilities	997,329	24,040	1,021,369
Total liabilities	2,010,815	793,007	2,803,822
NET ASSETS			
Invested in capital assets, net of related debt	5,035,525	69,534	5,105,059
Unrestricted	(444,859)	(644,121)	(1,088,980)
Total net assets	\$ 4,590,666	\$ (574,587)	\$ 4,016,079

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Enterprise Funds		
	Emergency Management		
	Water Fund	Fund	Total
OPERATING REVENUES			
Charges for services	\$ 993,264	\$ 377,151	\$ 1,370,415
Other operating revenues	33,151	4,263	37,414
Total operating revenues	1,026,415	381,414	1,407,829
OPERATING EXPENSES			
Salaries and employee benefits	268,805	573,331	842,136
Other operating expenses	338,194	208,899	547,093
Depreciation	281,709	46,509	328,218
Total operating expenses	888,708	828,739	1,717,447
Operating income (loss)	137,707	(447,325)	(309,618)
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	(57)	-	(57)
Interest expense and fees	(58,773)	(2,015)	(60,788)
Net nonoperating revenues (expenses)	(58,830)	(2,015)	(60,845)
Income (loss) before transfers	78,877	(449,340)	(370,463)
Transfers to other funds	(50,000)	(25,000)	(75,000)
Change in net assets	28,877	(474,340)	(445,463)
Total net assets - beginning	4,561,789	(100,247)	4,461,542
Total net assets - ending	\$ 4,590,666	\$ (574,587)	\$ 4,016,079

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
Statement of Cash Flows
Enterprise Funds
For The Fiscal Year Ended June 30, 2004

	<u>Water Fund</u>	<u>Emergency Management Fund</u>	<u>Totals June 30, 2004</u>
Cash flows from operating activities:			
Cash received from customers	\$ 964,791	\$ 405,129	\$ 1,369,920
Cash paid for goods and services	(348,437)	(224,376)	(572,813)
Cash paid to employees for services	(267,440)	(567,817)	(835,257)
Customer deposits - net	3,372	-	3,372
Other operating revenue	33,151	4,263	37,414
Net cash provided by operating activities	<u>385,437</u>	<u>(382,801)</u>	<u>2,636</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(50,000)</u>	<u>(25,000)</u>	<u>(75,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(20,233)	(3,184)	(23,417)
Principal paid on bond maturities and equipment contracts	(267,910)	(61,621)	(329,531)
Interest paid on bond maturities and equipment contracts	(58,773)	(2,015)	(60,788)
Proceeds from issuance of long-term debt	16,610	-	16,610
Loans from other funds	13,237	474,621	487,858
Net cash used by capital and related financing activities	<u>(317,069)</u>	<u>407,801</u>	<u>90,732</u>
Cash flows from investing activities:			
Interest on investments	<u>(57)</u>	<u>-</u>	<u>(57)</u>
Net increase (decrease) in cash and cash equivalents	18,311	-	18,311
Cash and cash equivalents, July 1	2,538	-	2,538
Cash and cash equivalents, June 30	<u>\$ 20,849</u>	<u>\$ -</u>	<u>\$ 20,849</u>

(continued)

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
Statement of Cash Flows
Enterprise Funds
For The Fiscal Year Ended June 30, 2004

Reconciliation of operating income to net cash provided by operating activities:	Water Fund	Emergency Management Fund	Totals June 30, 2004
Operating income	\$ 137,707	\$ (447,325)	\$ (309,618)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	283,102	46,509	329,611
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(28,473)	27,978	(495)
(Increase) decrease in inventory	1,543	-	1,543
Increase (decrease) in accounts payable and accrued liabilities	(13,179)	(15,476)	(28,655)
Increase (decrease) in customer deposits	3,372	-	3,372
Increase (decrease) in accrued vacation pay	1,365	5,513	6,878
Total adjustments	247,730	64,524	312,254
Net cash provided by operating activities	<u>\$ 385,437</u>	<u>\$ (382,801)</u>	<u>\$ 2,636</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 9

Chowan County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	Agency Funds
Assets	
Cash and cash equivalents	\$ 285,692
Accounts receivable	138,435
	<u>\$ 424,127</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 280,192
Due to other funds	143,935
Total liabilities	<u>\$ 424,127</u>

The notes to the financial statements are an integral part of this statement.

Chowan County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004

I. Summary of Significant Accounting Policies

The accounting policies of Chowan County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Chowan County Medical Development Authority is a non-profit corporation organized for the purpose of promoting the health care of Chowan County by assisting and providing equipment, facilities, and personnel. The County appoints the members of the ABC Board's governing board. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board and the Authority, which have June 30 year-ends, are presented as if they are separate proprietary funds of the County (discrete presentation).

Complete financial statements for the individual component units may be obtained at the administrative offices of those entities:

Chowan Medical Development Authority
PO Box 1030
Edenton, NC 27932

Chowan County ABC Board
PO Box 88
Edenton, NC 27932

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Isabel Recovery Fund. This is a special revenue fund that accounts for the repairs and reimbursements related to damage from Hurricane Isabel.

School Roof Project Fund. This is a capital project fund that accounts for major repairs to the high school.

The County reports the following major enterprise funds:

Chowan County Water Fund. This fund is used to account for the operations of the water system within the County.

Emergency Management Fund. This fund is used to account for the operations of the emergency management services within the County.

The County reports the following fund type:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Protective Payees Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Consolidated Health Fund is used to account for a regional self-insurance program; the County is fiscal agent for the Edenton-Chowan Development Corporation,

a not-for-profit corporation; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Chowan County Board of Education; the Fireman's Relief Fund, which provides relief to firemen and/or their families who may be injured, killed, or rendered sick in the actual discharge of duty as firemen; the Cemetery Trust Fund, which is used to handle a trust account for the perpetual care of a cemetery; and the Old Courthouse Gala Fund is used to account for the Edenton Historical Commission's fundraiser for the old courthouse.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the School Capital Reserve, the Emergency Telephone, Fire District, Revaluation, Occupancy Tax Assessment, School Capital Project, Isabel Recovery, and Sanitation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Edenton Bay Restoration, CDBG, and CWMTF – Country Club Special Revenue Funds and the Capital

Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County, and Chowan County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Authority, and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the Authority, and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, the Authority, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County, the Authority, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Chowan County Medical Development Authority and the ABC Board consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 1998. As allowed by State law, the County has established a schedule of

discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Inventories

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed.

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Chowan County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Edenton-Chowan Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and Wells	40
Lighting	15
Furniture and Firearms	7
Vehicles	5
Office equipment	5

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings	10 – 40
Building improvements	6 – 10
Store equipment	6 – 10
Office equipment	5

7. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

8. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the ABC Board, the amount of accumulated vacation pay is not considered material, and therefore no accrual has been made as of June 30, 2004.

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

9. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved

Designated - portion of total fund balance available for appropriation, which has been designated for health care.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$8,279,964 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 28,084,959
Less accumulated depreciation	(6,214,202)
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	4,650,606
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(17,477,080)
Compensated absences	(343,014)
Accrued interest payable	(421,305)
Total adjustment	<u>\$ 8,279,964</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$295,860 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 428,690
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,066,303)
Loss on disposal of capital assets, not recognized on modified accrual basis	(43,895)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(142,760)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again only affect the statement of net assets in the government-wide statements	1,735,868
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	30,520
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(52,632)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred lease payments recorded at 7/1/03	(4,801,973)
Recording of deferred lease payments in the fund statements as of 6/30/04	4,187,366
Reversal of deferred tax revenue recorded at 7/1/03	(398,866)
Recording of tax receipts deferred in the fund statements as of 6/30/04	424,984
Reversal of grant revenue deferred in the fund statements as of 7/1/03	(47)
Current year collections of special assessments recorded as revenue in the fund statements this year but in the government-wide statements in the year they were assessed.	(5,092)
	<u>\$ 295,860</u>

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Assets of Individual Funds

The following funds have deficit fund balances as of June 30, 2004:

School Capital Reserve Fund	\$ 249,727
Fire District Fund	\$ 118,931
Sanitation Fund	\$ 606,006
Emergency Management Fund	\$ 574,587
Agriculture Building Capital Project Fund	\$ 801,983
Adult Day Health Care Capital Project Fund	\$ 437,456
Chowan Community Center Capital Project Fund	\$ 165,574
Library Renovation Fund	\$ 64,867
School Roof Projects Fund	\$1,000,000

Funds have been loaned from the General Fund to cover these deficits. These loans will be paid back based on schedules reflecting market interest rates. Rates for EMT services were increased in 2004 in the Emergency Management Fund.

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of appropriations:

Library Renovation Fund	\$ 12,946
Sanitation Fund	\$ 2,624
CDBG Fund	\$ 600
Emergency Management Fund	\$ 143,206

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board or with the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2004, the County's deposits had a carrying amount of \$1,124,967 and a bank balance of \$1,605,765. Of the bank balance, \$161,958 was covered by federal depository insurance and \$1,443,807 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2004, Chowan County had \$2,050 cash on hand.

At June 30, 2004, the carrying amount of deposits for Chowan County ABC Board was \$109,661 and the bank balance was \$110,469. \$100,000 of the bank balance was covered by federal depository insurance and \$10,469 was covered by collateral held under the Pooling Method. At June 30, 2004, the ABC Board had \$712 on hand.

2. Investments

The County's and the ABC Board's investments are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County or the ABC Board or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's or the ABC Board's name. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's or the ABC Board's name. The County's and the ABC Board's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County and the ABC Board do not own any identifiable securities in these mutual funds.

At June 30, 2004, the County's investment balances were as follows:

	Categories			Reported Value	Fair Value
	A	B	C		
US Government Securities	\$ 7,810,572	\$ -	\$ -	7,810,572	7,810,572
US Government Agencies	6,616,147	-	-	6,616,147	6,616,147
	<u>\$ 14,426,719</u>	<u>\$ -</u>	<u>\$ -</u>	14,426,719	14,426,719
NC Capital Management Trust:					
Cash Portfolio				6,328	6,328
Term Portfolio				3,580	3,580
Total Investments				<u>\$ 14,436,627</u>	<u>\$ 14,436,627</u>

At June 30, 2004, the ABC Board had no investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2001	\$ 320,299	\$ 76,071	\$ 396,370
2002	320,299	47,244	367,543
2003	320,299	18,417	338,716
2004	324,686	-	324,686
Total	<u>\$ 1,285,583</u>	<u>\$ 141,732</u>	<u>\$ 1,427,315</u>

4. Receivables

Receivables at the government -wide level at June 30, 2004, were as follows:

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 418,199	\$ 515,673	\$ 38,256	\$ 406,832	\$ 4,187,365	\$ 5,566,325
Other Governmental	128,227	24,627	-	139,407	-	292,261
Total receivables	546,426	540,300	38,256	546,239	4,187,365	5,858,586
Allowance for doubtful accounts	-	(283,679)	-	-	-	(283,679)
Total-governmental activities	<u>\$ 546,426</u>	<u>\$ 256,621</u>	<u>\$ 38,256</u>	<u>\$ 546,239</u>	<u>\$ 4,187,365</u>	<u>\$ 5,574,907</u>
Business-type Activities						
Water Fund	\$ 267,047	\$ -	\$ -	\$ 11,245	\$ -	\$ 278,292
Emergency Management	424,470	-	-	3,826	-	428,296
Total receivables	691,517	-	-	15,071	-	706,588
Allowance for doubtful accounts	(315,491)					(315,491)
Total - business-type activities	<u>\$ 376,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,071</u>	<u>\$ -</u>	<u>\$ 391,097</u>

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 491,570
Sales tax	61,991
Gas tax	2,943
Federal excise tax	<u>4,806</u>
Total	<u>\$ 561,310</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,166,209	\$ 40,272	\$ -	\$ 3,206,481
Capital assets being depreciated:				
Buildings	21,300,129	5,190	-	21,305,319
Equipment	3,449,129	383,228	259,198	3,573,159
Total capital assets being depreciated	24,749,258	388,418	259,198	24,878,478
Less accumulated depreciation for:				
Buildings	3,263,931	641,220	-	3,905,151
Equipment	2,099,270	425,083	215,302	2,309,051
Total accumulated depreciation	5,363,201	1,066,303	215,302	6,214,202
Total capital assets being depreciated, net	19,386,057			18,664,276
Governmental activity capital assets, net	<u>\$ 22,552,266</u>			<u>\$ 21,870,757</u>

Primary Government

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 754,914
Public safety	200,684
Economic and physical development	6,894
Environmental protection	17,529
Cultural and recreational	86,282
Total depreciation expense	<u>\$ 1,066,303</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 98,347	\$ -	\$ -	\$ 98,347
Capital assets being depreciated:				
Plant and systems	9,802,544	-	-	9,802,544
Building and improvements	27,456	-	-	27,456
Equipment	441,003	20,233	525	460,711
Total capital assets being depreciated	10,271,003	20,233	525	10,290,711
Less accumulated depreciation for:				
Plant and distribution systems	3,462,336	246,793	-	3,709,129
Building and improvements	27,456	-	-	27,456
Equipment	328,858	36,309	525	364,642
Total accumulated depreciation	3,818,650	\$ 283,102	\$ 525	4,101,227
Total capital assets being depreciated, net	6,452,353			6,189,484
Water Fund capital assets, net	6,550,700			6,287,831
Emergency Management Fund				
Capital assets being depreciated:				
Building	13,898	-	-	13,898
Equipment	741,467	3,182	7,831	736,818
Total capital assets being depreciated	755,365	3,182	7,831	750,716
Less accumulated depreciation for:				
Building	13,898	-	-	13,898
Equipment	592,525	46,509	7,831	631,203
Total accumulated depreciation	606,423	\$ 46,509	\$ 7,831	645,101
Total capital assets being depreciated, net	148,942			105,615
Emergency Management Fund capital assets, net	148,942			105,615
Business-type activities capital assets, net	\$ 6,699,642			\$ 6,393,446

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 26,135	\$ -	\$ -	\$ 26,135
Capital assets being depreciated:				
Buildings and improvements	\$ 235,315	\$ 6,227	\$ -	\$ 241,542
Furniture and equipment	25,888	20,027	-	45,915
Total capital assets being depreciated	261,203	26,254	-	287,457
Less accumulated depreciation for:				
Buildings and improvements	107,735	7,951	-	115,686
Furniture and equipment	21,550	3,940	-	25,490
Total accumulated depreciation	129,285	11,891	-	141,176
Total capital assets being depreciated, net	131,918			146,281
ABC capital assets, net	<u>\$ 158,053</u>			<u>\$ 172,416</u>

B. Liabilities**1. Payables**

Payables at the government -wide level at June 30, 2004, were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 270,843	\$ 47,343	\$ 318,186
Other Governmental	35,957	373,962	409,919
Total-governmental activities	<u>\$ 306,800</u>	<u>\$ 421,305</u>	<u>\$ 728,105</u>
Business-type Activities			
Water fund	\$ -	\$ 16,474	\$ 16,474
Emergency Management	-	-	-
Total - business-type activities	<u>\$ -</u>	<u>\$ 16,474</u>	<u>\$ 16,474</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Chowan County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.19% of annual covered payroll. The contribution requirements of members and of Chowan County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$216,057, \$201,569 and \$205,614, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$2,961, \$3,205, and \$3,125, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Chowan County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions on a pay as you go basis. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial. The County funds the plan on a pay as you go basis and records these payments as General Fund expenditures.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2004 were \$118,154, which consisted of \$33,833 from the County and \$84,321 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Chowan County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$5,545.

e. Other Post employment Benefits - Chowan County

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the State for death

benefits of \$5,179. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

f. Fireman's and Rescue Squad Workers' Pension Fund

Plan Description . The State of North Carolina contributes, on behalf of Chowan County, to the Fireman's and Rescue Squad Worker's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fireman's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

3. Closure and Postclosure Costs

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. As indicated in Note V, the County participates in two joint ventures in connection with handling solid waste disposal – Perquimans-Chowan-Gates Waste Management and Albemarle Regional Solid Waste Authority.

The landfill under the Albemarle Regional Solid Waste Authority in which the County participates is under contract with a private contractor to maintain the landfill to meet environmental regulations. The private contractor has established a reserve fund to provide for closure and postclosure costs. The County believes this reserve to be adequate at this time.

4. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned (General)	\$ 163,661	\$ -
Prepaid taxes not yet earned (Special Revenue)	4,702	\$ -
Taxes receivable, net (General)	241,998	-
Taxes receivable, net (Special Revenue)	14,624	-
Special assessments receivable, net (General)	38,256	-
Lease payments (General)	4,187,365	-
Total	<u>\$ 4,650,606</u>	<u>\$ -</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$25.4 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Chowan County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Contingent Liabilities

At June 30, 2004, the County, the Authority, and the ABC Board were not involved in any material litigation, claims, or assessments as confirmed with the entities' attorneys.

7. Long-Term Obligations

a. Installment Purchases

D.F. Walker School

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed the construction of the D.F. Walker Elementary School for use by Edenton-Chowan County Board of Education during the fiscal year ended June 30, 2001 by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Edenton-Chowan County Board of Education that transfers the rights and responsibilities for maintenance of the property to the Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation.

The installment purchase was executed on September 1, 2000 for the construction of D.F. Walker Elementary School. The transaction requires fifteen annual payments by the County. The principal amount is \$9,950,000. The payments over fifteen years total \$14,939,305, which includes interest at 5.51%.

For Chowan County, the future minimum payments as of June 30, 2004, including \$3,418,957 of interest, are

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 450,000	\$ 473,860
2006	450,000	449,065
2007	450,000	424,270
2008	650,000	399,475
2009	775,000	363,660
2010-2014	4,100,000	1,165,367
2015-2016	1,725,000	143,260
Principal payments	<u>\$ 8,600,000</u>	
Total interest payments		<u>\$ 3,418,957</u>

Adult Day Health Center and Community Center

As authorized by state law [G.S. 160A-20], the County financed the construction of the Adult Day Health Center and the Chowan Community Center during the fiscal year ended June 30, 2001 by installment purchase. The installment purchase was issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding.

The installment purchase was executed on May 31, 2001 for the construction of the Adult Day Health Center and the Chowan Community Center. The transaction requires fifteen annual principal payments by the County of \$300,000 plus interest at 4.89%. The total principal amount is \$4,500,000. The payments over fifteen years total \$6,260,400.

For Chowan County, the future minimum payments as of June 30, 2004, including \$1,144,260 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 300,000	\$ 176,040
2006	300,000	161,370
2007	300,000	146,700
2008	300,000	132,030
2009	300,000	117,360
2010-2014	1,500,000	366,750
2015-2016	600,000	44,010
Principal payments	<u>\$ 3,600,000</u>	
Total interest payments		<u>\$ 1,144,260</u>

Fire Trucks

In January 2003, the County entered into an installment purchase contract to finance the purchase of two fire trucks. The financing contract requires 60 monthly payments of \$6,799, including interest at 2.74%.

For Chowan County, the future minimum payments as of June 30, 2004, including \$12,772 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 75,287	\$ 6,299
2006	77,376	4,210
2007	79,523	2,063
2008	32,037	200
Principal payments	<u>\$ 264,223</u>	
Total interest payments		<u>\$ 12,772</u>

Sheriff's Vehicles and Equipment

In March 2003, the County entered into an installment purchase contract to finance the purchase of vehicles and equipment for the Sheriff's Department. The financing contract requires 36 monthly payments of \$2,214, including interest at 2.25%.

For Chowan County, the future minimum payments as of June 30, 2004, including \$946 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 25,807	\$ 760
2006	19,740	186
Principal payments	<u>\$ 45,547</u>	
Total interest payments		<u>\$ 946</u>

EMS Equipment

In September 2002, the County entered into an installment purchase contract to finance the purchase of EMS equipment. The financing contract requires 36 monthly payments of \$2,843, including interest at 2.42%.

For Chowan County, the future minimum payments as of June 30, 2004, including \$507 of interest, are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 33,618	\$ 502
2006	2,464	5
Principal payments	<u>\$ 36,082</u>	
Total interest payments		<u>\$ 507</u>

Vehicles

In March 2004, the County entered into an installment purchase contract to finance the purchase of vehicles for various departments within the County. The financing contract requires 36 monthly payments of \$4,597, including interest at 2.45%. Part of these payments are paid by the General Fund and part by the Water Fund.

For Chowan County, the future minimum payments as of June 30, 2004, including \$4,841 of interest, are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 47,054	\$ 2,594	\$ 5,210	\$ 307
2006	48,220	1,428	5,339	178
2007	32,056	289	4,353	45
Total	<u>\$ 127,330</u>	<u>\$ 4,311</u>	<u>\$ 14,902</u>	<u>\$ 530</u>

b. Water System Expansion Note

In 1993, the County borrowed \$3,000,000 to expand the water system. Principal payments of \$214,286 are paid annually. Interest at 4.929% is paid semi-annually. The note is collateralized by the water system. Payments are made from the Enterprise Fund.

The future minimum payments as of June 30, 2004, including interest are:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2005	\$ 214,286	\$ 42,840
2006	214,286	34,269
2007	214,286	25,697
2008	214,286	17,126
2009	213,858	8,554
Principal payments	<u>\$ 1,071,002</u>	
Total interest payments		<u>\$ 128,486</u>

c. General Obligation Indebtedness

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Chowan County Water Fund issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Water Fund, are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2004 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually.	\$1,336,603
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Serviced by the Enterprise Fund:

\$4,100,000 General Obligation Bonds, Series 1998, payments due in annual installments of \$90,000 to \$525,000 through March 1, 2010. Interest at 4.2785%, payable semi-annually.	158,397
Total	<u>\$ 1,495,000</u>

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 429,144	\$ 54,863	\$ 50,856	\$ 6,502
2006	415,733	37,698	49,267	4,467
2007	227,983	20,653	27,018	2,447
2008	93,875	11,077	11,125	1,313
2009	89,405	7,135	10,595	845
2010	80,463	3,380	9,536	400
Total	<u>\$ 1,336,603</u>	<u>\$ 134,806</u>	<u>\$ 158,397</u>	<u>\$ 15,974</u>

At June 30, 2004, Chowan County had no bonds authorized but unissued and a legal debt margin of \$49,557,931.

d. Hospital Revenue Bonds and Note

As indicated in Note X, the County entered an agreement to lease the Chowan Hospital facilities to Pitt County Memorial Hospital, Inc. (Pitt), a not-for-profit corporation, for thirty years. Pitt agreed to make the payments on the Hospital Revenue Bonds and the note payable to BB&T relating to Hospital construction. The bonds and note are in the County's name, and the Hospital property is title to Chowan County. All payments had been timely made as of June 30, 2004.

\$4,295,000 1997 Hospital Revenue Bonds, due April 1, 1997 through October 1, 2010. Payable in 28 semi-annual installments of \$235,144, which includes interest at 5.07%.

\$ 2,576,763

\$1,500,000 Note Payable to BB&T, collateralized by Hospital machinery, chattels, and other tangible personal property. Payable in 180 monthly installments of \$12,027, which includes interest at 5.21%

	926,613
<u>\$</u>	<u>3,503,376</u>

Debt service requirements to maturity are as follows:

	Year Ending June 30	Principal	Interest
2005		\$ 442,321	\$ 172,287
2006		465,229	149,378
2007		489,325	125,283
2008		514,668	99,939
2009		541,325	73,283
2010-2012		1,050,508	63,819
Total		<u>\$ 3,503,376</u>	<u>\$ 683,989</u>

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 1,774,687	\$ -	\$ 438,084	\$ 1,336,603	\$ 429,144
Hospital revenue bonds and note	3,923,916	-	420,540	3,503,376	442,321
Installment purchase	13,371,585	142,760	877,244	12,637,101	898,148
Compensated absences	290,382	224,959	172,327	343,014	-
Total governmental activities	<u>\$ 19,360,570</u>	<u>\$ 367,719</u>	<u>\$ 1,908,195</u>	<u>\$ 17,820,094</u>	<u>\$ 1,769,613</u>
Business-type activities:					
General obligation debt	\$ 210,312	\$ -	\$ 51,916	\$ 158,396	\$ 50,856
Water system expansion note	1,285,288	-	214,286	1,071,002	214,286
Installment purchase	74,672	16,610	40,299	50,983	38,828
Capitalized leases	23,032	-	23,032	-	-
Compensated absences	38,080	29,815	22,937	44,958	-
Total business-type activities	<u>\$ 1,631,384</u>	<u>\$ 46,425</u>	<u>\$ 352,470</u>	<u>\$ 1,325,339</u>	<u>\$ 303,970</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it as earned.

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2004, consists of the following:

From the General Fund to the School Capital Reserve Fund to supplement other funding sources for school debt retirement	100,000
From the General Fund to the Sanitation Fund to supplement other funding sources	50,000
From the General Fund to the School Capital Project Fund to supplement other funding sources	724,120
From the Emergency Telephone System Fund to the General Fund to supplement other funding sources	20,000
From the School Capital Reserve Fund to the School Capital Project Fund to supplement other funding sources	1,185,007
From the Fire District Fund to the General Fund to supplement other funding sources	10,000
Total	<u>\$ 2,089,127</u>

Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2004 consist of the following:

Due to the General Fund from the Fire District Fund	\$ 140,000
Due to the General Fund from the School Capital Reserve Fund	362,651
Due to the General Fund from the Sanitation Fund	624,071
Due to the General Fund from the Edenton Bay Restoration Fund	36,540
Due to the General Fund from the CWMTF – Country Club Fund	56,266
Due to the General Fund from the CDBG Fund	109
Due to the General Fund from the Agriculture Building Capital Project Fund	801,983
Due to the General Fund from the Adult Day Center Capital Project Fund	437,456
Due to the General Fund from the Albemarle MM/DD/SAS Capital Project Fund	5,262
Due to the General Fund from the Chowan Community Center Capital Project Fund	165,574
Due to the General Fund from the Library Renovation Fund	64,867
Due to the General Fund from the School Roof Projects Fund	1,000,000
Due to the General Fund from the Water Fund	672,465
Due to the General Fund from the Emergency Management Fund	735,349

Due to the General Fund from the Edenton/Chowan Development Corp	138,435
Due to the General Fund from the Consolidated Health Services Fund	3,000
Due to the Water Fund from the Consolidated Health Services Fund	<u>2,500</u>
	<u>\$5,246,528</u>

IV. Related Organization

The chairman of the County's governing board is also responsible for appointing the members of the board of the Chowan County Economic Development Commission, but the County's accountability for this organization does not extend beyond making these appointments. The Commission exists to issue and service revenue bond debt for private business for economic development purposes. Its primary revenues are the payments to service the issued debt that are received from the businesses involved. The County is not responsible for the debt issued by the Commission and the Commission's debt is not included in determining the County's legal debt limit.

V. Joint Ventures

The County, in conjunction with the Town of Edenton, participates in the Chowan County-Edenton Airport Commission. The County appoints one member to the seven-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the Town are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The County contributed \$20,000 to the Airport during the fiscal year ended June 30, 2004. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2004. Complete financial statements for the Airport can be obtained from the administrative offices at Town of Edenton, Edenton, NC 27932.

The County also participates in a joint venture to operate Pettigrew Regional Library with four other local governments. Each participating government appoints three board members to the twelve-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2004. The participating governments provide the library facilities. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$117,896 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at Pettigrew Regional Library, PO Box 906 Plymouth, NC 27962.

The County, in conjunction with six other counties participates in Albemarle Regional Health Services. The County appoints two members to the ten-member board. The County contributed \$31,546 to the organization during the fiscal year ended June 30, 2004. Complete financial statements for District Health can be obtained from the District Health offices at Albemarle Regional Health Services, PO Box 189, Elizabeth City, NC 27909.

The County participates in two joint ventures in connection with handling solid waste disposal. The County is one of three counties involved in the Perquimans-Chowan-Gates Landfill Commission. The Commission maintains a landfill for waste products other than household waste. It also contracts with a private contractor to

maintain dumpster sites and haul the trash in the three participating counties. The County is also one of eight counties participating in the Albemarle Regional Solid Waste Authority. This Authority contracts with a private contractor to maintain a landfill to meet environmental regulations for household solid waste and other regulated wastes. The Authority has a 20-year contract with the private contractor. The County spent approximately \$904,600 for solid waste disposal during the current year. Complete financial statements for the Landfill Commission and the Solid Waste Authority can be obtained from their offices at Route 1, Box 152C, Belvidere, NC 27919.

The County, in conjunction with College of the Albemarle, Elizabeth City, NC participates in a joint venture to operate the Chowan Count Satellite Campus of the College of the Albemarle. The County has the responsibility to provide funding for the satellite facilities in Chowan County. During the fiscal year ending June 30, 2004, total facilities cost totaled \$130,817. The County does not have any equity in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2004. Complete financial statements for the College of the Albemarle may be obtained from the community college's administrative offices at US Highway 17, Elizabeth City, NC 27909.

VI. Jointly Governed Organization

The County, in conjunction with ten other counties and fourteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$8,723 to the Commission during the fiscal year ended June 30, 2004.

The County, in conjunction with fifteen other counties, established the North East Economic Development Committee (NEED), a tourism advisory committee to the Northeastern North Carolina Regional Economic Development Partnership, Inc. Each participating government appoints two members to the Committee.

The County, in conjunction with five other counties, participates in Albemarle Mental Health. Albemarle Mental Health provides mental health services to the residents of the participating counties through satellite offices. Chowan County appoints one member to the fifteen-member board of Albemarle Mental Health.

During the fiscal year ended June 30, 1998, Chowan County, the Town of Edenton, and the Edenton Chamber of Commerce organized the Edenton-Chowan Development Corporation, a non-profit corporation that will provide assistance to the County and Town with promotion and advancement of economic development. Chowan County appoints two of the six voting members and the County Manager serves as one of the three non-voting members.

VII. Related Party Transactions

There were no significant related party transactions during the fiscal year ended June 30, 2004.

VIII. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Temporary assistance to needy families	\$ 486,355	\$ -
Medicaid	11,706,752	5,168,764
Food stamp program	1,771,999	-
Energy assistance	41,864	-
State foster care	-	2,973
AFDC	(186)	(51)
Title IV-E, foster care	5,786	1,590
F/C at risk maximization	-	6,397
SC/SA domiciliary care	-	158,066
Total	<u>\$ 14,012,570</u>	<u>\$ 5,337,739</u>

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

X. Lease of Chowan Hospital

In November 1998, the County entered an agreement with Pitt County Memorial Hospital, Inc. (Pitt) to lease the Chowan Hospital property to Pitt for thirty years. At the end of the lease the property will belong to Pitt. Pitt paid the County \$20,000,000 and agreed to make the payments on the outstanding debt, which is in the County's name, on the Hospital properties. A lease receivable is reported in the General Fund for the amount of the payments due to maturity on the outstanding bonds and notes. The indebtedness and the proceeds from the lease are also reported in the General Fund.

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 5,807,851	\$ 5,445,422	\$ (362,429)
Penalties and interest	75,000	53,938	(21,062)
Total	<u>5,882,851</u>	<u>5,499,360</u>	<u>(383,491)</u>
Other Taxes and Licenses:			
Local option sales tax	2,337,790	2,025,239	(312,551)
Deed stamp excise tax	75,000	120,243	45,243
Real estate transfer tax	345,791	332,033	(13,758)
Scrap tire & white goods disposal tax	20,000	18,898	(1,102)
Cable TV	18,000	19,731	1,731
Total	<u>2,796,581</u>	<u>2,516,144</u>	<u>(280,437)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	1,000	2,071	1,071
Beer and wine tax	-	39,924	39,924
ABC profit distribution	75,000	39,826	(35,174)
Tax refunds	70,000	30,000	(40,000)
Total	<u>146,000</u>	<u>111,821</u>	<u>(34,179)</u>
Restricted intergovernmental:			
State grants	231,749	213,970	(17,779)
Federal grants	2,635,602	2,437,851	(197,751)
Court facility fees	103,601	46,781	(56,820)
ABC profits for law enforcement	3,000	663	(2,337)
ABC profits for alcoholic education	2,000	929	(1,071)
Total	<u>2,975,952</u>	<u>2,700,194</u>	<u>(275,758)</u>
Permits and fees:			
Building permits and inspection fees	149,197	112,000	(37,197)
Concealed weapons permits	-	80	80
Register of deeds	124,014	110,418	(13,596)
Total	<u>273,211</u>	<u>222,498</u>	<u>(50,713)</u>
Sales and services:			
Rents, concessions, and fees	108,014	104,691	(3,323)
Jail fees	308,205	177,765	(130,440)
Recreation Fees	126,500	93,434	(33,066)
Total	<u>542,719</u>	<u>375,890</u>	<u>(166,829)</u>
Investment earnings	<u>2,393,533</u>	<u>85,708</u>	<u>(2,307,825)</u>
Miscellaneous	<u>776,290</u>	<u>511,457</u>	<u>(264,833)</u>
Total revenues	<u>15,787,137</u>	<u>12,023,072</u>	<u>(3,764,065)</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	46,505	46,505	-
Other operating expenditures	7,750	7,747	3
Total	54,255	54,252	3
Administration:			
Salaries and employee benefits	351,852	351,241	611
Other operating expenditures	342,746	347,713	(4,967)
Total	694,598	698,954	(4,356)
Elections:			
Salaries and employee benefits	63,151	42,218	20,933
Other operating expenditures	33,840	14,230	19,610
Capital outlay	19,153	-	19,153
Total	116,144	56,448	59,696
Data processing:			
Salaries and employee benefits	133,479	131,962	1,517
Other operating expenditures	98,907	86,284	12,623
Capital outlay	66,149	45,846	20,303
Total	298,535	264,092	34,443
NC information highway:			
Other operating expenditures	14,155	10,239	3,916
Total	14,155	10,239	3,916
Taxes:			
Salaries and employee benefits	181,802	181,513	289
Other operating expenditures	48,918	45,361	3,557
Total	230,720	226,874	3,846
Legal:			
Salaries and employee benefits	81,280	81,279	1
Contracted services	5,134	5,133	1
Total	86,414	86,412	2
Register of deeds:			
Salaries and employee benefits	111,066	110,777	289
Other operating expenditures	25,032	24,211	821
Capital outlay	5,513	4,984	529
Total	141,611	139,972	1,639

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Land records:			
Salaries and employee benefits	86,570	86,085	485
Other operating expenditures	105,834	94,465	11,369
Capital outlay	1,582	1,053	529
Total	193,986	181,603	12,383
Inspection:			
Salaries and employee benefits	194,422	194,419	3
Other operating expenditures	22,646	20,643	2,003
Capital outlay	21,070	21,070	-
Total	238,138	236,132	2,006
Public buildings:			
Salaries and employee benefits	9,049	8,615	434
Other operating expenditures	433,097	411,545	21,552
Capital outlay	20,817	14,065	6,752
Total	462,963	434,225	28,738
Court facilities:			
Salaries and employee benefits	685	685	-
Other operating expenditures	28,121	28,119	2
Total	28,806	28,804	2
Central maintenance			
Salaries and employee benefits	166,188	166,173	15
Other operating expenditures	33,768	33,682	86
Total	199,956	199,855	101
Total general government	2,760,281	2,617,862	142,419
Public safety:			
Sheriff:			
Salaries and employee benefits	611,355	613,202	(1,847)
Other operating expenditures	202,166	194,294	7,872
Capital outlay	114,083	114,074	9
Total	927,604	921,570	6,034
School resource officer:			
Salaries and employee benefits	94,546	94,015	531
Other operating expenditures	2	-	2
Total	94,548	94,015	533
Sentencing services:			
Salaries and employee benefits	34,510	29,848	4,662
Other operating expenditures	21,594	10,105	11,489
Total	56,104	39,953	16,151

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
CORPS grant:			
Salaries and employee benefits	34,776	34,648	128
Other operating expenditures	3,085	2,671	414
Total	37,861	37,319	542
Albemarle Hopeline	3,000	3,000	-
Animal control:			
Salaries and employee benefits	163,182	161,239	1,943
Other operating expenditures	90,382	85,247	5,135
Capital outlay	26,416	25,633	783
Total	279,980	272,119	7,861
Jail:			
Salaries and employee benefits	302,370	302,367	3
Other operating expenditures	214,869	214,863	6
Capital outlay	18,774	18,774	-
Total	536,013	536,004	9
Civil defense:			
Salaries and employee benefits	116,062	116,060	2
Other operating expenditures	34,644	15,947	18,697
Capital outlay	55,226	55,225	1
Total	205,932	187,232	18,700
Central communications:			
Salaries and employee benefits	402,820	393,870	8,950
Other operating expenditures	30,395	25,215	5,180
Total	433,215	419,085	14,130
Medical examiner:			
Other operating expenditures	15,000	6,900	8,100
Total	15,000	6,900	8,100
Juvenile Justice:			
Salaries and employee benefits	90,747	82,406	8,341
Other operating expenditures	18,596	15,787	2,809
Capital outlay	1,000	-	1,000
Total	110,343	98,193	12,150
COPS:			
Salaries and employee benefits	159,793	153,786	6,007
Total	159,793	153,786	6,007
Total public safety	2,859,393	2,769,176	90,217

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Transportation:			
Airport	20,000	20,000	-
Paving roads	3,100	-	3,100
Total transportation	<u>23,100</u>	<u>20,000</u>	<u>3,100</u>
Environmental Protection:			
Sanitation:			
Other operating expenditures	28,720	24,603	4,117
Total environmental protection	<u>28,720</u>	<u>24,603</u>	<u>4,117</u>
Economic development:			
Agricultural extension:			
Salaries and employee benefits	143,423	134,971	8,452
Other operating expenditures	32,533	27,038	5,495
Capital outlay	2,386	-	2,386
Total	<u>178,342</u>	<u>162,009</u>	<u>16,333</u>
Soil conservation:			
Salaries and employee benefits	74,212	74,100	112
Other operating expenditures	124,961	88,776	36,185
Total	<u>199,173</u>	<u>162,876</u>	<u>36,297</u>
Planning:			
Operating expenditures	7,958	1,803	6,155
Total	<u>7,958</u>	<u>1,803</u>	<u>6,155</u>
Economic development:			
Salaries and employee benefits	3,750	2,110	1,640
Operating expenditures	84,422	84,234	188
Total	<u>88,172</u>	<u>86,344</u>	<u>1,828</u>
Total economic and physical development	<u>473,645</u>	<u>413,032</u>	<u>60,613</u>
Human services:			
Social services:			
Administration:			
Salaries and benefits	476,363	441,192	35,171
Other operating expenditures	108,771	91,920	16,851
Capital outlay	28,678	24,150	4,528
Total	<u>613,812</u>	<u>557,262</u>	<u>56,550</u>
Income maintenance programs:			
Salaries and employee benefits	541,916	519,883	22,033
County participation	105,952	86,779	19,173
Total	<u>647,868</u>	<u>606,662</u>	<u>41,206</u>

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Medicaid program:			
County participation	921,554	917,196	4,358
Total	921,554	917,196	4,358
Title XX program:			
Salaries and employee benefits	348,945	340,963	7,982
Other operating expenditures	41,275	36,485	4,790
Total	390,220	377,448	12,772
Foster care:			
Other operating expenditures	40,927	18,552	22,375
Total	40,927	18,552	22,375
Title III program:			
Other operating expenditures	6,000	3,509	2,491
Total	6,000	3,509	2,491
Other assistance:			
Other operating expenditures	1,359,363	1,270,893	88,470
Total	1,359,363	1,270,893	88,470
Total social services	3,979,744	3,751,522	228,222
Veterans service officer:			
Salaries and employee benefits	12,570	12,568	2
Other operating expenditures	2,043	1,282	761
Total	14,613	13,850	763
Health	91,076	90,735	341
Mental health:			
Other operating expenditures	34,259	34,259	-
Total	34,259	34,259	-
Total human services	4,119,692	3,890,366	229,326
Cultural and recreational:			
Community activities:			
Other operating expenditures	59,500	59,500	-
Total	59,500	59,500	-
Recreation:			
Salaries and employee benefits	364,309	352,502	11,807
Other operating expenditures	177,423	141,938	35,485
Capital outlay	2,882	1,090	1,792
Total	544,614	495,530	49,084

Chowan County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Senior center:			
Salaries and employee benefits	90,541	90,538	3
Other operating expenditures	71,524	71,010	514
Capital outlay	2,790	2,790	-
Total	164,855	164,338	517
Libraries:			
Contribution to regional library	117,897	117,896	1
Total	117,897	117,896	1
Total cultural and recreation	886,866	837,264	49,602
Education:			
Public schools:			
Current expense:	3,103,846	3,103,846	-
Total	3,103,846	3,103,846	-
Community colleges:			
Salaries and employee benefits	49,927	48,689	1,238
Other operating expenditures	130,954	130,817	137
Total	180,881	179,506	1,375
Total education	3,284,727	3,283,352	1,375
Debt service:			
Principal retirement	763,266	761,201	2,065
Interest and fees	384,778	387,233	(2,455)
Total debt service	1,148,044	1,148,434	(390)
Total expenditures	15,584,468	15,004,089	580,379
Revenues over (under) expenditures	202,669	(2,981,017)	(3,183,686)
Other financing sources (uses):			
Operating transfers from (to) other funds	(832,609)	(769,120)	63,489
Proceeds of installment purchase	159,400	142,760	(16,640)
Lease payments	420,540	420,540	-
Sale of fixed assets	50,000	4,826	(45,174)
Total other financing sources (uses)	(202,669)	(200,994)	1,675
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(3,182,011)	\$ (3,182,011)
Fund balances:			
Beginning of year, July 1		24,081,424	
End of year, June 30		<u>\$ 20,899,413</u>	

Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 28,632	\$ 7,984	\$ 72,847	\$ 14,795
Accounts receivable, net	112,924	13,554	17,850	-	604
Taxes receivable, net	-	-	14,624	-	-
Total assets	<u>\$ 112,924</u>	<u>\$ 42,186</u>	<u>\$ 40,458</u>	<u>\$ 72,847</u>	<u>\$ 15,399</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 942	\$ 63	\$ -	\$ (1,593)
Due to other funds	362,651	-	140,000	-	-
Deferred revenue	-	-	19,326	-	-
Total liabilities	<u>362,651</u>	<u>942</u>	<u>159,389</u>	<u>-</u>	<u>(1,593)</u>
Fund balances:					
Reserved by state statute	112,924	13,554	17,850	-	604
Unreserved (deficit)	(362,651)	27,690	(136,781)	72,847	16,388
Total fund balances	<u>(249,727)</u>	<u>41,244</u>	<u>(118,931)</u>	<u>72,847</u>	<u>16,992</u>
Total liabilities and fund balances	<u>\$ 112,924</u>	<u>\$ 42,186</u>	<u>\$ 40,458</u>	<u>\$ 72,847</u>	<u>\$ 15,399</u>

Sanitation Fund	Edenton Bay Restoration	CWMTF- Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 15,050	\$ 139,308
18,065	36,540	56,291	109	-	255,937
-	-	-	-	-	14,624
\$ 18,065	\$ 36,540	\$ 56,291	\$ 109	\$ 15,050	\$ 409,869

\$ -	\$ -	\$ 25	\$ -	\$ -	\$ (563)
624,071	36,540	56,266	109	-	1,219,637
-	-	-	-	-	19,326
624,071	36,540	56,291	109	-	1,238,400

18,065	36,540	56,291	109	-	255,937
(624,071)	(36,540)	(56,291)	(109)	15,050	(1,084,468)
(606,006)	-	-	-	15,050	(828,531)
\$ 18,065	\$ 36,540	\$ 56,291	\$ 109	\$ 15,050	\$ 409,869

(Continued)

Chowan County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

ASSETS

	Agriculture Building Capital Project Fund	Adult Day Health Care Capital Project Fund	Albemarle MM/DD/SAS Capital Project Fund	Chowan Community Center Capital Project Fund	Library Renovation Fund
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	-	-	5,262	-	-
Taxes receivable, net	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 5,262	\$ -	\$ -

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities

\$ -	\$ -	\$ -	\$ -	\$ -
------	------	------	------	------

Due to other funds

801,983	437,456	5,262	165,574	64,867
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Deferred revenue

-	-	-	-	-
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Total liabilities

801,983	437,456	5,262	165,574	64,867
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Fund balances:

Reserved by state statute

-	-	5,262	-	-
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Unreserved (deficit)

(801,983)	(437,456)	(5,262)	(165,574)	(64,867)
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Total fund balances

(801,983)	(437,456)	-	(165,574)	(64,867)
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Total liabilities and fund balances

\$ -	\$ -	\$ 5,262	\$ -	\$ -
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<hr/>			
Total Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds	
\$	-	\$	139,308
	5,262		261,199
	-		14,624
<hr/>		<hr/>	
\$	5,262	\$	415,131
<hr/>		<hr/>	

\$	-	\$	(563)
	1,475,142		2,694,779
	-		19,326
<hr/>		<hr/>	
	1,475,142		2,713,542
<hr/>		<hr/>	

	5,262		261,199
	(1,475,142)		(2,559,610)
<hr/>		<hr/>	
	(1,469,880)		(2,298,411)
<hr/>		<hr/>	
\$	5,262	\$	415,131
<hr/>		<hr/>	

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds				
	School Capital Reserve Fund	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Occupancy Tax Fund
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ 254,970	\$ -	\$ -
Local option sales taxes	618,804	-	88,677	-	-
Other taxes and licenses	-	60,139	2,170	-	666
Restricted intergovernmental	229,957	81,060	-	-	-
Sales and service	-	-	-	-	71,748
Miscellaneous	-	-	4,000	-	-
Investment earnings	(3,999)	(832)	(199)	1,878	(102)
Total revenues	844,762	140,367	349,618	1,878	72,312
EXPENDITURES					
Current:					
General government	-	-	-	22,680	-
Public safety	-	190,587	295,040	-	-
Economic development	-	-	-	-	71,393
Environmental protection	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	86,583	-	-
Interest	-	-	8,601	-	-
Total expenditures	-	190,587	390,224	22,680	71,393
Excess (deficiency) of revenues over expenditures	844,762	(50,220)	(40,606)	(20,802)	919
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	(1,085,007)	(20,000)	(10,000)	-	-
Total other financing sources and uses	(1,085,007)	(20,000)	(10,000)	-	-
Net change in fund balances	(240,245)	(70,220)	(50,606)	(20,802)	919
Fund balances - beginning	(9,482)	111,464	(68,325)	93,649	16,073
Fund balances - ending	\$ (249,727)	\$ 41,244	\$ (118,931)	\$ 72,847	\$ 16,992

Capital Project Funds							
Sanitation Fund	Edenton Bay Restoration Fund	CWMTF - Country Club	CDBG	School Capital Project Fund	Total Nonmajor Special Revenue Funds	Agriculture Building Capital Project Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,970	\$ -	
-	-	-	-	-	707,481	-	
-	-	517	-	-	63,492	-	
-	40,272	296,116	72,965	-	720,370	-	
649,888	-	-	-	-	721,636	-	
-	-	-	-	-	4,000	-	
-	-	-	-	-	(3,254)	-	
649,888	40,272	296,633	72,965	-	2,468,695	-	
-	-	-	-	-	22,680	-	
-	-	-	-	-	485,627	-	
-	-	-	72,965	-	144,358	-	
904,600	40,272	296,633	-	-	1,241,505	-	
-	-	-	-	450,000	450,000	-	
-	-	-	-	-	-	-	
-	-	-	-	888,084	974,667	-	
-	-	-	-	571,042	579,643	-	
904,600	40,272	296,633	72,965	1,909,126	3,898,480	-	
(254,712)	-	-	-	(1,909,126)	(1,429,785)	-	
50,000	-	-	-	1,909,127	844,120	-	
50,000	-	-	-	1,909,127	844,120	-	
(204,712)	-	-	-	1	(585,665)	-	
(401,294)	-	-	-	15,049	(242,866)	(801,983)	
\$ (606,006)	\$ -	\$ -	\$ -	\$ 15,050	\$ (828,531)	\$ (801,983)	

(Continued)

Chowan County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Capital Project Funds				Total Nonmajor Governmental Funds
	Adult Day Health Care Capital Project Fund	Chowan Community Center	Library Renovation Fund	Total Nonmajor Capital Projects Funds	
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 254,970
Local option sales taxes	-	-	-	-	707,481
Other taxes and licenses	-	-	-	-	63,492
Restricted intergovernmental	-	-	-	-	720,370
Sales and service	-	-	-	-	721,636
Miscellaneous	-	-	-	-	4,000
Investment earnings	-	-	-	-	(3,254)
Total revenues	-	-	-	-	2,468,695
EXPENDITURES					
Current:					
General government	-	-	-	-	22,680
Public safety	-	-	-	-	485,627
Economic development	-	-	-	-	144,358
Environmental protection	-	-	-	-	1,241,505
Education	-	-	-	-	450,000
Capital outlay	-	-	12,946	12,946	12,946
Debt service					
Principal	-	-	-	-	974,667
Interest	-	-	-	-	579,643
Total expenditures	-	-	12,946	12,946	3,911,426
Excess (deficiency) of revenues over expenditures	-	-	(12,946)	(12,946)	(1,442,731)
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	-	-	-	-	844,120
Total other financing sources and uses	-	-	-	-	844,120
Net change in fund balances	-	-	(12,946)	(12,946)	(598,611)
Fund balances - beginning	(437,456)	(165,574)	(51,921)	(1,456,934)	(1,699,800)
Fund balances - ending	\$ (437,456)	\$ (165,574)	\$ (64,867)	\$ (1,469,880)	\$ (2,298,411)

Chowan County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Public School Building Capital Fund	\$ 300,000	\$ 229,957	\$ (70,043)
Local option sales tax	760,007	618,804	(141,203)
Investment earnings	25,000	(3,999)	(28,999)
Total revenues	<u>1,085,007</u>	<u>844,762</u>	<u>(240,245)</u>
Other financing sources (uses):			
Transfers in (out)	<u>(1,085,007)</u>	<u>(1,085,007)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(240,245)	<u>\$ (240,245)</u>
Fund balances:			
Beginning of year, July 1		(9,482)	
End of year, June 30		<u>\$ (249,727)</u>	

Chowan County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Other taxes and licenses:			
911 system subscriber fees	\$ 70,000	\$ 58,807	\$ (11,193)
Sales tax refund	500	1,332	832
Restricted intergovernmental:			
Wireless 911 funds	80,000	81,060	1,060
Investment earnings	25,000	(832)	(25,832)
	<u>175,500</u>	<u>140,367</u>	<u>(35,133)</u>
Expenditures			
Public safety:			
911 system subscriber fees:			
Operating expenses	91,396	87,983	3,413
Capital outlay	11,113	11,112	1
Total subscriber fees	<u>102,509</u>	<u>99,095</u>	<u>3,414</u>
Wireless 911:			
Operating expenses	<u>120,380</u>	<u>91,492</u>	<u>28,888</u>
Total expenditures	<u>222,889</u>	<u>190,587</u>	<u>32,302</u>
Revenues over (under) expenditures	<u>(47,389)</u>	<u>(50,220)</u>	<u>2,831</u>
Other financing sources (uses):			
Transfers in (out)	(20,000)	(20,000)	-
Appropriated fund balance	<u>67,389</u>	<u>-</u>	<u>67,389</u>
Total other sources (uses)	<u>47,389</u>	<u>(20,000)</u>	<u>67,389</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(70,220)</u>	<u>\$ (70,220)</u>
Fund balances:			
Beginning of year, July 1		<u>111,464</u>	
End of year, June 30		<u>\$ 41,244</u>	

Chowan County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 318,459	\$ 254,970	\$ (63,489)
Local option sales tax	72,736	88,677	15,941
Other taxes and licenses	3,140	2,170	(970)
Miscellaneous revenue	5,600	4,000	(1,600)
Investment earnings	500	(199)	(699)
Total revenues	<u>400,435</u>	<u>349,618</u>	<u>(50,817)</u>
Expenditures:			
Public safety:			
Town of Edenton	168,789	168,788	1
Salaries and benefits	31,041	31,040	1
Telephone and postage	2,075	2,075	-
Utilities	9,976	9,976	-
Maintenance and repair	9,376	9,374	2
Insurance and bonds	24,684	24,682	2
Capital outlay	35,904	35,903	1
Other operating expenses	11,295	13,202	(1,907)
Total public safety	<u>293,140</u>	<u>295,040</u>	<u>(1,900)</u>
Debt service:			
Principal	88,694	86,583	2,111
Interest	8,601	8,601	-
Total debt service	<u>97,295</u>	<u>95,184</u>	<u>2,111</u>
Total expenditures	<u>390,435</u>	<u>390,224</u>	<u>211</u>
Revenues over (under) expenditures	<u>10,000</u>	<u>(40,606)</u>	<u>50,606</u>
Other financing sources (uses):			
Transfers in (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(50,606)</u>	<u>\$ (50,606)</u>
Fund balances:			
Beginning of year, July 1		<u>(68,325)</u>	
End of year, June 30		<u>\$ (118,931)</u>	

Chowan County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 1,878	\$ 1,878
Expenditures:			
General government:			
Contracted services	25,000	22,680	2,320
Revenues over (under) expenditures	(25,000)	(20,802)	(4,198)
Other financing sources (uses):			
Transfers in (out)	25,000	-	(25,000)
Revenues and other sources over (under) expenditures and other uses	\$ -	(20,802)	\$ (20,802)
Fund balances:			
Beginning of year, July 1		93,649	
End of year, June 30		\$ 72,847	

Chowan County, North Carolina
Occupancy Tax Assessment Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Sales and service	\$ 71,700	\$ 71,748	\$ 48
Other taxes and licenses	-	666	666
Investment earnings	2,000	(102)	(2,102)
	<u>73,700</u>	<u>72,312</u>	<u>(1,388)</u>
Expenditures:			
Economic development:			
Contracted services	32,810	32,809	1
Reimbursements	16,894	12,776	4,118
Miscellaneous expenses	27,298	25,808	1,490
Total expenditures	<u>77,002</u>	<u>71,393</u>	<u>5,609</u>
Revenues over (under) expenditures	<u>(3,302)</u>	<u>919</u>	<u>(4,221)</u>
Other financing sources (uses):			
Appropriated fund balance	<u>3,302</u>	<u>-</u>	<u>(3,302)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>919</u>	<u>\$ 919</u>
Fund balances:			
Beginning of year, July 1		16,073	
End of year, June 30		<u>\$ 16,992</u>	

Chowan County, North Carolina
Sanitation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Sales and service	\$ 854,000	\$ 649,888	\$ (204,112)
Expenditures:			
Environmental protection:			
Operating expenses	904,000	904,600	(600)
Revenues over (under) expenditures	(50,000)	(254,712)	204,712
Other financing sources (uses):			
Transfers in (out)	50,000	50,000	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(204,712)	\$ (204,712)
Fund balances:			
Beginning of year, July 1		(401,294)	
End of year, June 30		\$ (606,006)	

Chowan County, North Carolina
Edenton Bay Restoration Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 3,285,810	\$ 2,190,084	\$ 40,272	\$ 2,230,356	\$ (1,055,454)
Other taxes and licenses	-	220	-	220	220
Miscellaneous revenue	-	2,151	-	2,151	2,151
Total revenue	<u>3,285,810</u>	<u>2,192,455</u>	<u>40,272</u>	<u>2,232,727</u>	<u>(1,053,083)</u>
Expenditures:					
Environmental protection:					
Contracted services	37,000	57,908	-	57,908	(20,908)
Capital outlay	<u>3,248,810</u>	<u>2,134,547</u>	<u>40,272</u>	<u>2,174,819</u>	<u>1,073,991</u>
Total expenditures	<u>3,285,810</u>	<u>2,192,455</u>	<u>40,272</u>	<u>2,232,727</u>	<u>1,053,083</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
CDBG Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 400,000	\$ 329,697	\$ 72,965	\$ 402,662	\$ 2,662
Expenditures:					
Economic development:					
Administration	40,000	40,000	38	40,038	(38)
Clearance	5,000	5,000	-	5,000	-
Rehabilitation	245,000	177,544	70,529	248,073	(3,073)
Relocation assistance	110,000	107,153	2,398	109,551	449
Total expenditures	400,000	329,697	72,965	402,662	(2,624)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
CWMTF - Country Club Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 534,000	\$ 68	\$ 296,116	\$ 296,184	\$ (237,816)
Other taxes and license	-	-	517	517	517
Miscellaneous revenue	50,000	-	-	-	(50,000)
Total revenues	<u>584,000</u>	<u>68</u>	<u>296,633</u>	<u>296,701</u>	<u>(287,299)</u>
Expenditures:					
Environmental protection:					
Administration	15,000	-	4,035	4,035	10,965
Contracted services	564,000	68	292,598	292,666	271,334
Capital outlay	5,000	-	-	-	5,000
Total expenditures	<u>584,000</u>	<u>68</u>	<u>296,633</u>	<u>296,701</u>	<u>287,299</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
School Capital Project Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:			
Education:			
Capital outlay	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Debt service:			
Principal	888,085	888,084	1
Interest	<u>571,042</u>	<u>571,042</u>	<u>-</u>
Total debt service	<u>1,459,127</u>	<u>1,459,126</u>	<u>1</u>
Total expenditures	<u>1,909,127</u>	<u>1,909,126</u>	<u>1</u>
Revenues over (under) expenditures	<u>(1,909,127)</u>	<u>(1,909,126)</u>	<u>(1)</u>
Other financing sources (uses):			
Transfers in (out)	<u>1,909,127</u>	<u>1,909,127</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>1</u>	<u>\$ 1</u>
Fund balances:			
Beginning of year, July 1		15,049	
End of year, June 30		<u>\$ 15,050</u>	

Chowan County, North Carolina
Agriculture Building Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 6,050	\$ 6,050	\$ -	\$ 6,050	\$ -
Other taxes and licenses	-	318	-	318	318
Total revenues	<u>6,050</u>	<u>6,368</u>	<u>-</u>	<u>6,368</u>	<u>318</u>
Expenditures					
Economic development:					
Capital outlay:					
Agriculture Ext Building	<u>2,844,408</u>	<u>2,031,094</u>	<u>-</u>	<u>2,031,094</u>	<u>813,314</u>
Revenues over (under) expenditures	<u>(2,838,358)</u>	<u>(2,024,726)</u>	<u>-</u>	<u>(2,024,726)</u>	<u>813,632</u>
Other financing sources:					
Transfers in (out)	<u>2,838,358</u>	<u>1,222,743</u>	<u>-</u>	<u>1,222,743</u>	<u>(1,615,615)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (801,983)</u>	<u>-</u>	<u>\$ (801,983)</u>	<u>\$ (801,983)</u>
Fund balances:					
Beginning of year, July 1			<u>(801,983)</u>		
End of year, June 30			<u>\$ (801,983)</u>		

Chowan County, North Carolina
Adult Day Health Care Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 686,062	\$ 200,000	\$ -	\$ 200,000	\$ (486,062)
Other taxes and licenses	-	32,085	-	32,085	32,085
Investment earnings	-	14,028	-	14,028	14,028
Total revenues	<u>686,062</u>	<u>246,113</u>	<u>-</u>	<u>246,113</u>	<u>(439,949)</u>
Expenditures					
Human services:					
Capital outlay:					
Adult Health Center	<u>4,541,410</u>	<u>2,683,569</u>	<u>-</u>	<u>2,683,569</u>	<u>1,857,841</u>
Revenues over (under) expenditures	<u>(3,855,348)</u>	<u>(2,437,456)</u>	<u>-</u>	<u>(2,437,456)</u>	<u>1,417,892</u>
Other financing sources:					
Loan proceeds	<u>3,855,348</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>(1,855,348)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (437,456)</u>	<u>-</u>	<u>\$ (437,456)</u>	<u>\$ (437,456)</u>
Fund balances:					
Beginning of year, July 1			<u>(437,456)</u>		
End of year, June 30			<u>\$ (437,456)</u>		

Chowan County, North Carolina
Albemarle MM/DD/SAS Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 2,239,989	\$ 5,262	\$ -	\$ 5,262	\$ (2,234,727)
Total revenues	<u>2,239,989</u>	<u>5,262</u>	<u>-</u>	<u>5,262</u>	<u>(2,234,727)</u>
Expenditures					
Human services:					
Capital outlay:					
Albemarle MM/DD/SAS	<u>2,239,989</u>	<u>5,262</u>	<u>-</u>	<u>5,262</u>	<u>2,234,727</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Chowan County, North Carolina
Chowan Community Center Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Other taxes and licenses	-	52,441	-	52,441	52,441
Investment earnings	50,000	17,854	-	17,854	(32,146)
Total revenues	<u>300,000</u>	<u>320,295</u>	<u>-</u>	<u>320,295</u>	<u>20,295</u>
Expenditures					
Cultural and recreational:					
Capital outlay:					
Chowan Community Center	<u>3,935,701</u>	<u>2,985,869</u>	<u>-</u>	<u>2,985,869</u>	<u>949,832</u>
Revenues over (under) expenditures	<u>(3,635,701)</u>	<u>(2,665,574)</u>	<u>-</u>	<u>(2,665,574)</u>	<u>(929,537)</u>
Other financing sources (uses):					
Transfers in (out)	946,625	-	-	-	(946,625)
Loan proceeds	<u>2,689,076</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>(500,000)</u>
Total other sources (uses)	<u>3,635,701</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>(1,446,625)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (165,574)</u>	<u>-</u>	<u>\$ (165,574)</u>	<u>\$ (165,574)</u>
Fund balances:					
Beginning of year, July 1			(165,574)		
End of year, June 30			<u>\$ (165,574)</u>		

Chowan County, North Carolina
Library Renovation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures					
Cultural and recreational:					
Contracted services	<u>-</u>	<u>51,921</u>	<u>12,946</u>	<u>64,867</u>	<u>(64,867)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (51,921)</u>	<u>(12,946)</u>	<u>\$ (64,867)</u>	<u>\$ (64,867)</u>
Fund balances:					
Beginning of year, July 1			<u>(51,921)</u>		
End of year, June 30			<u>\$ (64,867)</u>		

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,131,361	\$ 940,653	\$ (190,708)
Reconnection fees	10,000	14,965	4,965
Miscellaneous revenue	1,000	55	(945)
Sales tax and other refunds	8,000	14,729	6,729
Taps and connection fees	30,000	37,647	7,647
Total revenues	<u>1,180,361</u>	<u>1,008,049</u>	<u>(172,312)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	268,052	268,807	(755)
Postage and telephone	20,000	17,994	2,006
Utilities	75,000	71,087	3,913
Maintenance and repairs	32,000	41,649	(9,649)
Automotive supplies	13,007	13,007	-
Supplies and materials	113,188	104,213	8,975
Administrative services	80,647	66,119	14,528
Meters and minor improvements	24,000	22,581	1,419
Total	<u>625,894</u>	<u>605,457</u>	<u>20,437</u>
Debt service:			
Debt principal	268,582	267,910	672
Interest and fees	68,895	60,953	7,942
Total	<u>337,477</u>	<u>328,863</u>	<u>8,614</u>
Capital outlay	<u>40,990</u>	<u>20,233</u>	<u>20,757</u>
Total expenditures	<u>1,004,361</u>	<u>954,553</u>	<u>49,808</u>
Revenues over (under) expenditures	<u>176,000</u>	<u>53,496</u>	<u>(122,504)</u>

(continued)

Chowan County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Proceeds of installment purchase	25,000	16,610	(8,390)
Transfers in (out)	<u>(201,000)</u>	<u>(50,000)</u>	<u>151,000</u>
Total other sources (uses)	<u>(176,000)</u>	<u>(33,390)</u>	<u>142,610</u>
 Revenues and other sources over (under) expenditures and other uses	 <u>\$ -</u>	 20,106	 <u>\$ 20,106</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		267,910	
Capital outlay		20,233	
Depreciation		(281,709)	
Amortization		(1,393)	
Decrease in bond interest accrued		3,573	
Decrease in inventory		(1,543)	
Proceeds from installment purchase		(16,610)	
Net income from Capital Reserve Fund		<u>18,310</u>	
Total reconciling items		<u>8,771</u>	
Change in net assets		<u>\$ 28,877</u>	

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Ambulance Fees	\$ 728,644	\$ 377,151	\$ (351,493)
Miscellaneous revenue	1,000	575	(425)
Sales tax and other refunds	700	3,688	2,988
Total	<u>730,344</u>	<u>381,414</u>	<u>(348,930)</u>
Non-operating revenues:			
Investment earnings	500	-	(500)
Total revenues	<u>730,844</u>	<u>381,414</u>	<u>(349,430)</u>
Expenditures:			
Administration and operating:			
Salaries and employee benefits	530,781	573,331	(42,550)
Postage and telephone	8,707	10,027	(1,320)
Utilities	12,320	12,491	(171)
Maintenance and repairs	34,568	41,786	(7,218)
Automotive supplies	6,064	6,063	1
Supplies and materials	21,354	21,561	(207)
Administrative services	15,562	116,972	(101,410)
Total	<u>629,356</u>	<u>782,231</u>	<u>(152,875)</u>
Debt service:			
Debt principal	64,381	61,623	2,758
Interest and fees	2,014	2,014	-
Total	<u>66,395</u>	<u>63,637</u>	<u>2,758</u>
Capital outlay	10,093	3,182	6,911
Total expenditures	<u>705,844</u>	<u>849,050</u>	<u>(143,206)</u>
Revenues over (under) expenditures	<u>25,000</u>	<u>(467,636)</u>	<u>(492,636)</u>

(continued)

Chowan County, North Carolina
Emergency Management Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Proceeds of installment purchase			-
Transfers in (out)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(492,636)	\$ (492,636)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		61,623	
Capital outlay		3,182	
Depreciation		(46,509)	
Total reconciling items		18,296	
Change in net assets		\$ (474,340)	

Chowan County, North Carolina
Water Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2004

	2004		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Storm preparedness charges	\$ -	\$ 18,367	\$ 18,367
Investment earnings	-	(57)	(57)
Total revenues	-	18,310	18,310
Other financing sources (uses):	-	-	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	18,310	<u>\$ 18,310</u>
Fund balances:			
Beginning of year, July 1		2,538	
End of year, June 30		<u>\$ 20,848</u>	

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Fireman's Relief Fund				
Assets:				
Cash and cash equivalents	<u>\$ 27,947</u>	<u>\$ 5,562</u>	<u>\$ -</u>	<u>\$ 33,509</u>
Liabilities:				
Payables	<u>\$ 27,947</u>	<u>\$ 5,562</u>	<u>\$ -</u>	<u>\$ 33,509</u>
Social Services - Protective Payees				
Assets:				
Cash and cash equivalents	<u>\$ 1,026</u>	<u>\$ 26,804</u>	<u>\$ 26,365</u>	<u>\$ 1,465</u>
Liabilities:				
Payables	<u>\$ 1,026</u>	<u>\$ 26,804</u>	<u>\$ 26,365</u>	<u>\$ 1,465</u>
Consolidated Health Services				
Assets:				
Cash and cash equivalents	<u>\$ 85,123</u>	<u>\$ 5,542,567</u>	<u>\$ 5,377,679</u>	<u>\$ 250,011</u>
Liabilities:				
Payables	\$ 79,623	\$ 5,542,567	\$ 5,377,679	\$ 244,511
Due to other funds	5,500	-	-	5,500
Total	<u>\$ 85,123</u>	<u>\$ 5,542,567</u>	<u>\$ 5,377,679</u>	<u>\$ 250,011</u>
Edenton Chowan Development Corp				
Assets:				
Cash and cash equivalents	\$ -	\$ 189,285	\$ 189,285	\$ -
Accounts receivable	126,556	11,879	-	138,435
Total assets	<u>\$126,556</u>	<u>\$ 201,164</u>	<u>\$ 189,285</u>	<u>\$138,435</u>
Liabilities:				
Payables	\$ -	\$ 189,285	\$ 189,285	\$ -
Due to other funds	126,556	11,879	-	138,435
Total liabilities	<u>\$126,556</u>	<u>\$ 201,164</u>	<u>\$ 189,285</u>	<u>\$138,435</u>
Fines and forfeitures				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 104,706</u>	<u>\$ 104,706</u>	<u>\$ -</u>
Liabilities:				
Payables	<u>\$ -</u>	<u>\$ 104,706</u>	<u>\$ 104,706</u>	<u>\$ -</u>

Chowan County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Cemetery Trust Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 35,168	\$ 35,168	\$ -
Liabilities:				
Payables	\$ -	\$ 35,168	\$ 35,168	\$ -
Old Courthouse Gala				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,500	\$ 793	\$ 707
Liabilities:				
Payables	\$ -	\$ 1,500	\$ 793	\$ 707
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 114,096	\$ 5,905,592	\$ 5,733,996	\$ 285,692
Accounts receivable	126,556	11,879	-	138,435
Total assets	<u>\$240,652</u>	<u>\$ 5,917,471</u>	<u>\$ 5,733,996</u>	<u>\$424,127</u>
Liabilities:				
Payables	\$108,596	\$ 5,905,592	\$ 5,733,996	\$280,192
Due to other funds	132,056	11,879	-	143,935
Total liabilities	<u>\$240,652</u>	<u>\$ 5,917,471</u>	<u>\$ 5,733,996</u>	<u>\$424,127</u>

Chowan County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2003</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2004</u>
1993-1994	\$ 6,013	\$ -	\$ 6,013	\$ -
1994-1995	6,687	-	822	5,865
1995-1996	7,518	-	913	6,605
1996-1997	8,694	-	1,443	7,251
1997-1998	14,226	-	2,627	11,599
1998-1999	16,057	-	3,616	12,441
1999-2000	20,308	-	5,743	14,565
2000-2001	66,237	-	10,550	55,687
2001-2002	92,902	-	27,614	65,288
2002-2003	221,066	-	134,753	86,313
2003-2004	-	5,480,701	5,255,454	225,247
	<u>\$ 459,708</u>	<u>\$ 5,480,701</u>	<u>\$ 5,449,548</u>	<u>490,861</u>
Less: allowance for uncollectible accounts: General Fund				<u>273,675</u>
Ad valorem taxes receivable - net: General Fund				<u>\$ 217,186</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 5,499,360</u>
Reconciling items:				
Interest collected				(53,939)
Other				(1,273)
Taxes written off				<u>5,400</u>
Total reconciling items				<u>(49,812)</u>
Total collections and credits				<u>\$ 5,449,548</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2004

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 738,126,119	0.69	\$ 5,093,080	\$ 4,672,458	\$ 420,622
Motor vehicles taxed at prior year's rate	44,255,652	0.69	305,368	-	305,368
Penalties	-		3,204	3,204	-
Total	<u>782,381,771</u>		<u>5,401,652</u>	<u>4,675,662</u>	<u>725,990</u>
Discoveries:					
Current year taxes	14,618,120	0.69	98,099	98,099	-
Penalties	-		658	658	-
Total	<u>14,618,120</u>		<u>98,757</u>	<u>98,757</u>	<u>-</u>
Abatements	<u>(2,854,737)</u>		<u>(19,708)</u>	<u>(2,365)</u>	<u>(17,343)</u>
Total property valuation	<u>\$ 794,145,154</u>				
Net levy			5,480,701	4,772,054	708,647
Uncollected taxes at June 30, 2004			<u>225,247</u>	<u>138,841</u>	<u>86,406</u>
Current year's taxes collected			<u>\$ 5,255,454</u>	<u>\$ 4,633,213</u>	<u>\$ 622,241</u>
Current levy collection percentage			<u>95.89%</u>	<u>97.09%</u>	<u>87.81%</u>

Chowan County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2004

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100 %
Real Property	\$ 663,325,083
Personal Property	116,543,201
Public Service Companies	<u>14,277,170</u>
Total Assessed Valuation	794,145,454
Tax Rate per \$100	0.69
Levy (includes discoveries, releases and abatements)	\$ 5,480,701

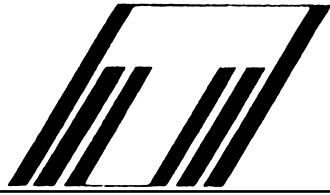
In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	<u><u>\$ 225,444</u></u>
---------------------------	--------------------------

Chowan County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2004

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
JJ Peanuts	Manufacturing	\$ 8,035,904	0.012 %
Seabrook Blanching Corp	Manufacturing	572,433	0.008
George C Moore	Manufacturing	5,689,283	0.008
Mitek Industries	Manufacturing	5,209,382	0.008
Edenton Dyeing	Manufacturing	5,084,545	0.008
Cameron Edenton	Real Estate	3,960,523	0.006
Evans Lumber	Manufacturing	3,147,090	0.005
ZR Edenton	Real Estate	2,950,845	0.004
Regulator Marine	Manufacturing	2,441,767	0.004
Thetford Properties	Real Estate	2,301,778	0.003
Total		<u>\$ 39,393,550</u>	<u>0.066 %</u>

Compliance Section



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of County Commissioners
Chowan County, North Carolina**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Chowan County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2004. We did not audit the financial statements of the Chowan County ABC Board. Those financial statements were audited by another auditor whose report thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the Chowan County ABC Board, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Chowan County ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

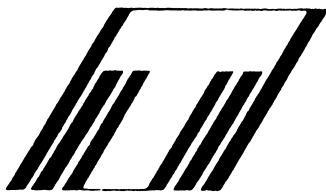
As part of obtaining reasonable assurance about whether Chowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the audit committee, management, others within the organization, Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. R. Rybicki III CPA". The signature is stylized and includes the letters "CPA" at the end.

Certified Public Accountant

January 31, 2005



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

**To the Board of County Commissioners
Chowan County, North Carolina**

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. Chowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Chowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chowan County's compliance with those requirements.

In our opinion, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

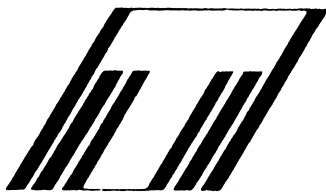
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of J. R. Bullock III, CPA.

Certified Public Accountant

January 31, 2005



J. P. TIMBERLAKE III CPA, P.A.

Certified Public Accountant

P. O. Box 626 • 102 West Eden Street

Edenton, North Carolina 27932

(252) 482-8461 FAX (252) 482-4921

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**To the Board of County Commissioners
Chowan County, North Carolina**

Compliance

We have audited the compliance of Chowan County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2004. Chowan County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Chowan County's management. Our responsibility is to express an opinion on the Chowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Chowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chowan County's Compliance with those requirements.

In our opinion, Chowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Chowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Chowan County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

January 31, 2005

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004**

Section I - Summary of Auditor's Results

Financial Statement s

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses yes X none reported

Noncompliance material to financial
statements noted

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses yes X none reported

Type of auditor's report issued on compliance
for major federal programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133

 yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name or Cluster</u>
97.036	Public Assistance Grants
10.551	Food Stamp Cluster
10.561	
14.228	CDBG
93.778	Medical Assistance Program

The Medical Assistance Program did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but was tested as a major program because the State awards met the threshold for a major State program. Therefore, it is included in the list of major federal programs.

Dollar threshold used to distinguish
between Type A and Type B Programs

 \$ 569,043

Auditee qualified as low-risk auditee?

 X yes no

**CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004**

State Awards

Internal control over major State programs:

- **Material weakness(es) identified?** yes X no

- **Reportable condition(s) identified
that are not considered to be
material weaknesses** yes X none reported

**Type of auditor's report issued on compliance
for major State programs: Unqualified**

**Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act** yes X no

Identification of major State programs:

**Major State programs were the Public Assistance Grants and the Medical Assistance Program which
are both included in the list of major federal programs.**

Section II - Financial Statement Findings
--

None reported

Section III - Federal Award Findings and Questioned Costs
--

None reported

Section IV - State Award Findings and Questioned Costs

None reported

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
FEDERAL AWARDS:				
U.S. Department of Justice:				
Passed-through the N.C. Dept. of Crime Control and Public Safety:				
Juvenile Accountability Incentive Block Grant	16.523	26,685	-	-
Juvenile Justice Delinquency Prevention	16.540	42,541	-	-
Passed-through the Town of Edenton				
Drug Control & System Improvement	16.579	30,000	-	-
Direct Program- COPS Fast	16.710	60,252	-	-
Total U.S. Dept. of Justice		159,478	-	-
U.S. Department of Homeland Security				
Passed-through the N. C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management				
Flood Mitigation Assistance	97.029	5,580	-	-
Public Assistance Grants	97.036	2,284,204	761,401	-
Hazard Mitigation Grant	97.039	183	-	-
Emergency Management Performance Grants	97.042	23,920	-	-
State and Local All Hazards Emergency Operations Planning	97.051	6,936	-	-
Community Emergency Response Teams	97.054	6,245	-	-
Total Federal Emergency Management Agency		2,327,068	761,401	-
U.S. Department of Health and Human Services:				
<u>Administration on Aging</u>				
<u>Division of Social Services</u>				
Passed-through The Albemarle Commission:				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III-D				
Disease Prevention and Health Promotion Services	93.043	2,566	-	-
Special Programs for the Aging - Title III-B				
Grants for Supportive Services and Senior Centers	93.044	3,312	-	-
Total Aging Cluster		5,878	-	-
<u>Administration for Children and Families</u>				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Social Services Block Grant	93.667	70,021	6,062	23,437
Aid to Families with Dependent Children - Direct	93.560	(186)	(51)	(51)
Temporary Assistance to Needy Families	93.558	205,161		256,354
Temporary Assistance to Needy Families - Direct	93.558	486,355	(107)	3,797
Child Support Enforcement	93.563	234,312		120,581
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	61,636		
Direct Benefit Payments	93.568	41,864		

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
Child Care and Development Fund	93.596	58,506		
Independent Living Grant	93.674	420	105	
Foster Care and Adoption Cluster:				
Title IV-E Foster Care	93.658	23,559	2,179	21,379
Foster Care / Adoption	n/a			545
Foster Care - Direct Benefits Program	93.658	2,660	663	910
Adoption Assistance - Direct Benefit Payments	93.659	3,126	927	927
Total Foster Care and Adoption Cluster		29,345	3,769	23,761
Division of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Fund - Discretionary	93.575	391,844		-
Child Care and Development Fund - Mandatory	93.596	153,678		-
Child Care and Development Fund - Match	93.596	80,091	47,380	-
Social Services Block Grant	93.667	1,777		-
TANF	93.558	77,681		-
Smart Start	n/a		30,796	-
State Appropriations	n/a		12,330	-
TANF - Main. of Effort	n/a		138,597	-
Total Subsidized Child Care Cluster		705,071	229,103	-
<u>Health Care Financing Administration</u>				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	11,706,752	5,168,764	794,964
Division of Social Services:				
Medical Assistance Program	93.778	254,457	10,308	204,583
Administration:				
Health Choice	93.767	9,717	654	2,771
Total U. S. Dept. of Health and Human Services		13,869,309	5,418,607	1,430,197
U.S. Department of Agriculture:				
Food and Nutrition Service				
Passed-through N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
Food Stamp Cluster:				
Food Stamp Program - Noncash	10.551	2,354,021	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	166,818	-	166,818
Total Food Stamp Cluster		2,520,839	-	166,818
Natural Resources Conservation Service -				
Soil and Water Conservation	10.902	16,955	-	-
Total U.S. Dept. of Agriculture		2,537,794	-	166,818

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
National Telecommunications and Information				
Administration, Department of Commerce:				
Passed through the N.C. Rural Economic Development Center Inc.:				
Technology Opportunities Program	11.552	1,600	-	-
Total U.S. Dept. of Commerce		1,600	-	-
U. S. Housing and Urban Development				
Passed through the N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant	14.228	72,855	-	-
Total Federal Awards		18,968,104	6,180,008	1,597,015
STATE AWARDS:				
N.C. Department of Environment and				
Natural Resources:				
Clear & Snag Grant	n/a	-	20,333	-
Clean Water Mgmt. Trust Fund - Project # 2001B-702	n/a	-	293,456	-
Clean Water Mgmt. Trust Fund - Project # 1999A-406	n/a	-	42,303	-
Public Health Pest Mgmt	n/a	-	3,746	-
NC Clean Water Bond Program	n/a	-	35,900	-
Soil and Water	n/a	-	23,652	-
Total N.C. Dept. of Environment and Natural Resources		-	419,390	-
N.C. Department of Health and Human Services:				
Veterans Service	n/a	-	2,000	-
Division of Social Services:				
County Funded Programs	n/a	-	-	20,808
Non Allocating County Cost	n/a	-	-	8,273
SC/SA Admin.	n/a	-	-	11,757
State Adult Protective Service	n/a	-	4,135	-
Direct Benefit Payments:				
F/C At Risk Maximization	n/a	-	6,397	3,793
State Foster Home	n/a	-	2,973	2,972
SC/SA Domiciliary Care	n/a	-	158,066	158,066
Total N.C. Dept. of Health and Human Resources		-	173,571	205,669

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
N.C. Department of Transportation:				
Elderly and Disabled Transportation Assistance Program (E&DTAP)	n/a	-	37,773	-
Rural General Public Program	n/a	-	23,732	-
Work First Transitional	n/a	-	4,595	-
Total N.C. Dept. of Transportation		-	66,100	-
Office of Budget and Management - Passed through ARPDC:				
Legislative Appropriation - Senior Center	n/a	-	5,807	-
Senior Center Outreach	n/a	-	654	-
HCCBG	n/a	-	3,649	-
Passed-through N.C. State Board of Elections: Help America Vote Act	n/a	-	-	-
Total N.C. Office of Budget and Management		-	10,110	-
N.C. Office of Juvenile Justice				
Intensive Super of Juvenile Justice	n/a	-	54,359	-
ADSC Mediation/Conflict Resolution	n/a	-	4,000	-
After School Plus	n/a	-	20,371	-
Total N.C. Office of Juvenile Justice		-	78,730	-
N.C. Department of Public Instruction				
Public School Building Capital Fund	n/a	-	229,957	-
Office of the Governor				
Dept. of Juvenile Justice and Delinquency Prevention - Governor's One-On-One Volunteer Program	n/a	-	23,634	-
Total Office of the Governor		-	23,634	-
Total State Awards		-	1,001,492	205,669
Total Federal and State Awards		<u>\$ 18,968,104</u>	<u>\$ 7,181,500</u>	<u>\$ 1,802,684</u>

CHOWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures	Local Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Chowan County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Chowan County provided State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>State Expenditures</u>
NC Office of Juvenile Justice Funds	n/a	\$ 58,359